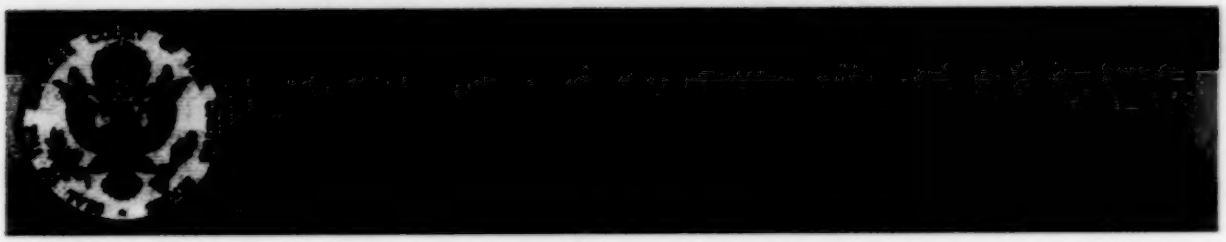

No. 15-927

Title:	SCA Hygiene Products Aktiebolag, et al., Petitioners v. First Quality Baby Products, LLC, et al.
Docketed:	January 21, 2016
Linked with 15A546	
Lower Ct:	United States Court of Appeals for the Federal Circuit
Case Nos.:	(2013-1564)
Decision Date:	September 18, 2015

Questions Presented

---Date---	------Proceedings and Orders----------
Nov 18 2015	Application (15A546) to extend the time to file a petition for a writ of certiorari from December 17, 2015 to January 19, 2016, submitted to The Chief Justice.
Nov 23 2015	Application (15A546) granted by The Chief Justice extending the time to file until January 19, 2016.
Jan 19 2016	Petition for a writ of certiorari filed. (Response due February 22, 2016)
Jan 29 2016	Consent to the filing of amicus curiae briefs, in support of either party or of neither party, received from counsel for petitioners.
Feb 11 2016	Order extending time to file response to petition to and including March 23, 2016.
Feb 19 2016	Brief amicus curiae of The Toro Company filed.
Feb 22 2016	Brief amicus curiae of ART+Com Innovationpool, GmbH filed.
Feb 22 2016	Brief amicus curiae of Medinol Ltd. filed.
Mar 22 2016	Brief of respondents First Quality Baby Products, LLC, et al. in opposition filed.
Apr 5 2016	Reply of petitioners SCA Hygiene Products Aktiebolag, et al. filed.
Apr 6 2016	DISTRIBUTED for Conference of April 22, 2016.
Apr 25 2016	DISTRIBUTED for Conference of April 29, 2016.
May 2 2016	Petition GRANTED.
May 20 2016	The time to file the joint appendix and petitioners' brief on the merits is extended to and including July 15, 2016.
May 20 2016	The time to file respondents' brief on the merits is extended to and including September 12, 2016.
May 25 2016	Consent to the filing of amicus curiae briefs, in support of either party or of neither party, received from counsel for the petitioners.
Jul 15 2016	Joint appendix filed.
Jul 15 2016	Supplemental joint appendix filed.
Jul 15 2016	Brief of petitioners SCA Hygiene Products Aktiebolag, et al. filed.
Jul 20 2016	Brief amicus curiae of Intellectual Property Owners Association in support of neither party filed.
Jul 21 2016	Brief amicus curiae of Medinol Ltd. filed.
Jul 22 2016	Brief amicus curiae of ART+Com Innovationpool, GmbH filed.
Jul 22 2016	Brief amici curiae of Law Professors filed.

Jul 22 2016	Brief amicus curiae of The American Bar Association filed.
Jul 22 2016	Brief amicus curiae of The Intellectual Property Law Association of Chicago in support of neither party filed.
Jul 22 2016	Brief amici curiae of Alliance of Inventor Groups filed.
Jul 22 2016	Brief amicus curiae of American Intellectual Property Law Association in support of neither party filed.
Sep 2 2016	SET FOR ARGUMENT On Tuesday, November 1, 2016
Sep 7 2016	Brief amici curiae of Electronic Frontier Foundation and Public Knowledge filed.
Sep 9 2016	Record has been requested from the U.S.C.A. Federal Circuit.
Sep 12 2016	Brief of respondents First Quality Baby Products, LLC, et al. filed. (Distributed)
Sep 15 2016	Record received from the U.S.C.A. Federal Circuit is electronic and located on PACER. Also from the U.S.C.A. Federal Circuit are Confidential documents filed electronically.
Sep 19 2016	Brief amici curiae of Briggs & Stratton Corporation, et al. filed.
Sep 19 2016	Brief amicus curiae of Askeladden, LLC filed.
Sep 19 2016	Brief amicus curiae of Cook Medical LLC filed.
Sep 19 2016	Brief amici curiae of Dell, et al. filed.
Sep 19 2016	Brief amicus curiae of Washington Legal Foundation filed.
Sep 19 2016	Brief amicus curiae of Universal Remote Control, Inc. filed.
Sep 19 2016	Brief amici curiae of Johnson & Johnson and Cordis Corporation filed.
Sep 19 2016	Brief amicus curiae of Roche Molecular Systems, Inc. filed.
Sep 28 2016	CIRCULATED
Oct 12 2016	Reply of petitioners SCA Hygiene Products Aktiebolag, et al. filed. (Distributed)
Nov 1 2016	Argued. For petitioners: Martin J. Black, Philadelphia, Pa. For respondents: Seth P. Waxman, Washington, D. C.
Mar 21 2017	Adjudged to be VACATED IN PART, and case REMANDED. Alito, J., delivered the opinion of the Court, in which Roberts, C. J., and Kennedy, Thomas, Ginsburg, Sotomayor, and Kagan, JJ., joined. Breyer, J., filed a dissenting opinion.

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No. 15-

15-927

IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014), the Court held that the defense of laches cannot be used to shorten the three-year copyright limitations period set forth in 17 U.S.C. § 507(b), observing that "we have never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period." 134 S. Ct. at 1974. In reaching its decision, the Court noted that the Federal Circuit follows a contrary rule in the patent setting, applying laches to bar infringement claims accruing within the six-year limitations period prescribed in 35 U.S.C. § 286, but stated: "[w]e have not had occasion to review the Federal Circuit's position." *Petrella*, 134 S. Ct. at 1974 n.15 (discussing *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc)).

Following *Petrella*, the Federal Circuit convened en banc in this matter to consider the conflict between *Petrella* and *Aukerman*. All judges of the court agreed that there is "no substantive distinction material to the *Petrella* analysis" between the copyright and patent limitations periods. Pet. App. 18a. Nevertheless, in a 6-5 decision, the court reaffirmed its position in *Aukerman* and held that laches may be used to bar patent infringement claims accruing within the six-year limitations period.

The question presented is:

Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.

PARTIES TO THE PROCEEDING

All parties to the proceeding are identified in the caption.

RULE 29.6 STATEMENT

SCA Hygiene Products Aktiebolag is a wholly-owned subsidiary of Svenska Cellulosa Aktiebolaget SCA (publ.), which is traded on the Swedish stock exchange. No other publicly traded company owns 10% or more of the stock of SCA Hygiene Products Aktiebolag or SCA Personal Care, Inc.

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OPINIONS BELOW

The en banc opinion of the United States Court of Appeals for the Federal Circuit is reported at 807 F.3d 1311 and reprinted at Pet. App. 1a. The panel opinion is reported at 767 F.3d 1339 and reprinted at Pet. App. 67a. The opinion of the United States District Court for the Western District of Kentucky granting summary judgment is unreported but available at 2013 WL 3776173 and reprinted at Pet. App. 92a.

JURISDICTION

The court of appeals entered its judgment en banc on September 18, 2015. Pet. App. 1a. On November 23, 2015, the Chief Justice granted application 15A546, extending the time to file this petition to and including January 19, 2016. This Court has jurisdiction under 28 U.S.C. § 1254(1).

RELEVANT STATUTORY PROVISIONS

35 U.S.C. § 282 provides in relevant part:

> (b) Defenses.—The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> > (1) Noninfringement, absence of liability for infringement or unenforceability.
> >
> > (2) Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.

(3) Invalidity of the patent or any claim in suit for failure to comply with—

(A) any requirement of section 112, except that the failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or

(B) any requirement of section 251.

(4) Any other fact or act made a defense by this title.

35 U.S.C. § 286 provides in relevant part:

Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.

PRELIMINARY STATEMENT

In *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), this Court held that laches is unavailable to bar copyright infringement claims brought within the Copyright Act's three-year limitations period. In doing so, the Court reiterated the common-law rule that laches cannot limit the recovery of legal damages and can be a threshold bar to equitable relief only "in extraordinary circumstances." *Id.* at 1974, 1977. The Court noted that the Federal Circuit was unique in following a contrary rule, applying laches to bar damages for patent

infringement claims brought within the Patent Act's six-year limitations period, 35 U.S.C. § 286. *Id.* at 1974 n.15 (discussing *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1029–31, 1039–41 (Fed. Cir. 1992) (en banc)). But the Court added: "[w]e have not had occasion to review the Federal Circuit's position." *Id.*

Following *Petrella*, the Federal Circuit convened en banc in this case to consider the conflict between *Petrella* and the Federal Circuit's prior decision in *Aukerman* approving the use of laches to bar legal relief on patent claims accruing within the statutory limitations period. Forty amici curiae filed nineteen briefs on the question. All judges agreed that there is "no substantive distinction material to the *Petrella* analysis" between the statutory limitations periods under the Copyright and Patent Acts. Pet. App. 18a. Nevertheless, the court reaffirmed *Aukerman*'s holding 6-5. As a result, not only is laches available to bar legal relief in patent cases such as this one, but it is presumed whenever other infringing acts began more than six years prior to suit. Pet. App. 8a–9a, 44a.

This case presents the proper occasion for review of the Federal Circuit's aberrant laches rule in patent cases. The Federal Circuit's sharply divided en banc ruling has entrenched a laches doctrine demonstrably at odds with *Petrella*. The Federal Circuit's patent law exceptionalism is strikingly similar to other Federal Circuit decisions that this Court has recently reviewed and reversed. Here, the Federal Circuit relied primarily on post-enactment commentary by a PTO official and secondarily on a handful of pre-Patent Act lower court decisions. But these references cannot trump the text, structure, and legislative history of the Patent Act itself, nor the

principles underlying this Court's repeated rejection of laches as a bar to legal relief. The issue is important and was exhaustively briefed and analyzed below, and this case is an excellent vehicle to resolve the issue presented. Certiorari is warranted.

STATEMENT OF THE CASE

A. STATUTORY BACKGROUND

1. Section 286 supplies the six-year statutory limitations period for patent infringement claims. The statute has roots in the nineteenth century. From 1870 to 1874, the patent laws briefly included a six-year limitations period, but in 1874 Congress codified all of the United States laws into the Revised Statutes, leaving out the patent statute of limitations. *Campbell v. City of Haverhill*, 155 U.S. 610, 613–14 (1895). As a result, the courts were left to themselves to determine the timeliness of a claim for patent infringement. A split developed, with some courts borrowing differing state limitations periods and others refusing to apply any limitations period at all. This Court resolved the controversy in *Campbell*, determining that, because Congress had not spoken, the proper course was to borrow from state law. 155 U.S. at 613.

Faced with a lack of national uniformity, Congress acted promptly, enacting a federal limitations period two years later. Act of Mar. 3, 1897, ch. 391, sec. 6, § 4921, 29 Stat. 692, 694. That provision, which is the predecessor to Section 286, stated in relevant part: "But in any suit or action brought for the infringement of any patent there shall be no recovery of profits or damages for any

infringement committed more than six years before the filing of the bill of complaint or the issuing of the writ in such suit or action . . . ." *Id.* The House Report accompanying the 1897 legislation emphasized the need for "a uniform statute of limitations" for patent infringement cases. H.R. REP. No. 940, at 2 (1896). The statute went through minor revisions over the next fifty years, and after the 1946 amendments, it read: "but recovery shall not be had for any infringement committed more than six years prior to the filing of the complaint in the action." Act of Aug. 1, 1946, ch. 726, § 4921, 60 Stat. 778, 778.

2. In 1952, Congress consolidated the various statutory defenses to patent infringement into a single section, which became 35 U.S.C. § 282. The House and Senate Reports indicate that Congress intended no substantive change: "The defenses to a suit for infringement are stated in general terms, changing the language in the present statute, but not materially changing the substance." H.R. REP. No. 82-1923, at 10 (1952); S. REP. No. 82-1979, at 8–9 (1952). At no time have the patent laws of the United States ever mentioned laches.

B. FACTUAL AND PROCEDURAL HISTORY

1. Petitioners SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. (collectively, "SCA") manufacture and sell adult incontinence products worldwide, which are sold in the United States under the TENA® label. SCA inventors developed an innovative protective underwear design and patented the invention in U.S. Patent No. 6,375,646 ("the '646 patent"), which issued on April 23, 2002. A6816–A6826. (All A __ cites are to the Federal Circuit appendix.)

Respondents First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC (collectively, "First Quality") manufacture private label disposable products that emulate the products designed by the branded market leaders, such as SCA. *See, e.g.*, A0110–A0111; A1229:9–A1230:13; A1453. In 2003, SCA and First Quality exchanged correspondence relating to the '646 patent and First Quality's use of SCA's patented technology. A1156; A1158–A1160. First Quality took the position that SCA's patent was invalid in light of U.S. Patent No. 5,415,649 to Watanabe, *et al.* A1158–A1160. First Quality made no request for a further response from SCA. *Id.* According to First Quality, the matter "was never thought of again" after First Quality sent the letter. A1171:19–A1172:7.

Rather than file suit immediately, SCA sought guidance from the U.S. Patent and Trademark Office (PTO). On July 7, 2004, SCA filed a request for reexamination of its own patent in light of the Watanabe patent. A1174–A1175. Reexamination files are open to public inspection (37 C.F.R. § 1.11(c)–(d) (2004)), and the PTO notified the public of petitioners' reexamination request on August 24, 2004. A1177. Both the Internet and the PTO Intranet allow public access to determine whether a reexamination request has been filed for a particular patent.

The PTO took almost three years to conclude the reexamination, and on March 27, 2007, the PTO confirmed the validity of all original claims in the patent. The PTO also granted additional claims 29-38 at SCA's request. A1174–A1175. SCA filed suit in the United States District Court for the Western District of Kentucky on August 2, 2010, two years and four months after the reexamination

ended and six years and eleven months after SCA's initial letter to First Quality. *See* A0041 at D.I. 1.

2. Following discovery, First Quality moved for summary judgment on the defenses of laches and equitable estoppel. A0235–A0309. At that time, SCA had infringement claims pending with respect to original claims 1–11 and 15–25, as well as new claims 35–38. *See* A0346, A0382, and A0411. SCA opposed First Quality's motion, urging that there was no unreasonable delay because it sought reexamination of its own patent and submitting deposition testimony from nine witnesses to rebut the presumption of economic prejudice. *See, e.g.*, A1097–A1144; A1407–A1411; A1460–A1467. Nevertheless, the district court granted summary judgment in favor of First Quality on both estoppel and laches. A0001–A0021.

3. SCA appealed, and a panel of the Federal Circuit heard oral argument on April 8, 2014. On May 19, 2014, while the case was under submission, this Court issued its opinion in *Petrella*, holding that the equitable defense of laches cannot preclude an award of damages for copyright infringement during the Copyright Act's three-year limitations period, 17 U.S.C. § 507(b).[1] 134 S. Ct. at 1967–68. *Petrella* held that "[t]o the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period, however, courts are not at liberty to jettison Congress' judgment on the timeliness of suit." *Id.*

---

1. Section 507(b) of the copyright statute states: "No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued." 17 U.S.C. § 507(b).

Like the Copyright Act, the Patent Act has a statutory limitations period: "[N]o recovery shall be had for any infringement committed more than six years prior to the filing of the complaint . . . ." 35 U.S.C. § 286. Accordingly, SCA filed a letter of supplemental authority, explaining that the logic of *Petrella* applies equally to patent cases and *Petrella* compels reversal of *Aukerman*. ECF No. 51. (All ECF No. __ cites are to the Federal Circuit docket for 13-1564.)

The panel reversed the grant of summary judgment on equitable estoppel and found, *inter alia*, a genuine issue of material fact as to whether First Quality had suffered economic prejudice in reliance on SCA's letter and the delay. Pet. App. 85a–91a. The panel found it persuasive that "SCA almost immediately filed a request for ex parte reexamination of the '646 patent to address the issues raised by First Quality—an action that could reasonably be viewed as inconsistent with SCA's alleged acquiescence." Pet. App. 88a. Thus, "[a] reasonable juror could conclude that First Quality raised an issue SCA had overlooked and that SCA, rather than acquiescing, took immediate action." *Id.*

While reversing on estoppel, the panel affirmed the grant of summary judgment on laches. The panel declined to address the viability of *Aukerman* following *Petrella*, stating that only the Supreme Court or the en banc court of appeals could do so. Pet. App. 76a. The panel then ruled that because the first act of infringement had occurred more than six years before suit, the *Aukerman* presumptions of unreasonable delay and prejudice were applicable and so barred all pre-suit damages. Pet. App. 76a–77a. Thus, while the panel found an issue of fact for

trial with respect to whether First Quality relied on SCA's conduct for purposes of estoppel, it found no issue of fact for trial on the virtually identical question of whether the delay caused First Quality any prejudice. Application of the Federal Circuit's unique laches presumption was outcome determinative. The decision barred SCA's claims for infringement during the reexamination, as well as those that accrued between the issuance of the reexamination certificate (which had newly issued claims) and institution of the suit.

4. SCA filed a combined petition requesting rehearing en banc to review and overrule *Aukerman* and rehearing en banc or panel rehearing to address the conflict between the panel's opinion and Federal Circuit precedent holding that summary judgment of laches is inappropriate when there is a dispute over the nexus between delay and economic prejudice. ECF No. 55. SCA asked the court to bar the use of laches as a defense to pre-suit damages or, in the alternative, revoke the laches presumptions. *Id.*

The Federal Circuit granted SCA's petition for rehearing en banc, vacating the panel's decision. ECF No. 76. The court declined to revisit the laches presumptions but agreed to consider whether to overrule *Aukerman* in light of *Petrella* and whether laches can bar patent infringement suits for damages or injunctive relief. *Id.*

5. Numerous amici filed briefs in support of both sides. The American Intellectual Property Law Association (AIPLA) filed a brief in support of SCA's position, arguing that there was no substantive difference between copyright and patent law and that *Petrella* mandated reversal of *Aukerman*. ECF No. 140. A group

of law professors with an interest in equity jurisprudence filed a brief examining the history of law and equity and reached the same result. ECF No. 112. In all, forty amici filed nineteen briefs below.

6. Sitting en banc, the Federal Circuit issued a sharply divided 6-5 decision reaffirming the vitality of laches as a defense to pre-suit patent damages claims. Chief Judge Prost wrote the opinion of the court and was joined by Judges Newman, Lourie, Dyk, O'Malley, and Reyna.[2] The majority examined *Petrella* and conceded that there is "no substantive distinction material to the *Petrella* analysis between § 286 and the copyright statute of limitations considered in *Petrella*." Pet. App. 18a. Nevertheless, the court retained its special laches rule in patent cases.

In reaching its conclusion, the court notably jettisoned most of the reasoning of *Aukerman*, which rested in large part on the assertion that the doctrine of laches was brought over into actions at law through the merger of law and equity. *Aukerman*, 960 F.2d at 1031–32. This Court had explicitly rejected that theory in *Petrella*. 134 S. Ct. at 1973–74. Instead, the majority took a different approach. Looking past the express timeliness provision of the Patent Act, § 286, the majority focused on § 282, interpreting the provision as evidencing Congressional intent to make patent law the only area of federal jurisprudence in which judges have the power to abridge a statutory limitations period. Pet. App. 18a–35a. Section 282 generally lists the defenses available in patent infringement actions, but does not mention laches or otherwise prescribe any limitations period, a subject which is covered by § 286.

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2. All participating members of the court joined in reversing the grant of summary judgment on estoppel.

The cornerstone of the majority's analysis is a brief statement in a commentary on § 282 prepared by P.J. Federico in 1954. P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1 (West 1954), *reprinted in* 75 J. PAT. & TRADEMARK OFF. SOC'Y 161, 217 (1993) [hereinafter "Federico Commentary"]. Mr. Federico was a PTO official who had helped Congress draft the 1952 Patent Act. Pet. App. 21a–22a. In describing § 282, *two years after its passage*, he wrote that "this would include the defenses such as that the patented invention has not been made, used or sold by the defendant; license; and equitable defenses such as laches, estoppel and unclean hands." Pet. App. 20a (quoting Federico Commentary at 215). His brief comment does not address whether he (or Congress) intended laches to have its traditional role for equitable remedies or to be uniquely expanded to cover damages actions at law.

The majority also examined and relied on pre-Patent Act lower court decisions discussing the use of laches. The majority recognized the difficulty in interpreting these cases because there used to be two forms of action for patent infringement, an equitable action as well as a legal action. Pet. App. 28a–29a. The majority focused on several appellate decisions that had purportedly applied laches to bar claims for legal damages, arguing that congressional silence in the face of these decisions justified expanding the use of laches to claims for legal damages. Pet. App. 29a–35a.

Judge Hughes dissented in part, joined by Judges Moore, Wallach, Taranto and Chen. Judge Hughes began with the recognition that patent law is "governed by the same common law principles, methods of statutory

interpretation, and procedural rules as other areas of civil litigation." Pet. App. 45a. The dissenters criticized the majority for adopting "a patent-specific approach to the equitable doctrine of laches." *Id.*

With respect to the contention that Congress must have enacted lower court decisions into law during the passage of the 1952 Patent Act, the dissenters wrote:

> The majority's key logic—that Congress adopted the view of some lower courts that laches could bar legal relief in patent cases—requires us to presume that Congress ignored the Supreme Court. For in 1952, the Supreme Court had already recognized the common-law principle that laches cannot bar a claim for legal damages.

Pet. App. 46a.

A crucial difference between the majority and dissenting opinions is their approach to the burden necessary to create a unique patent-law rule. The dissent recognized that "[t]he Supreme Court has repeatedly cautioned [the Federal Circuit] not to create special rules for patent cases." Pet. App. 46a; *see also* Pet. App. 48a–49a ("[T]he Supreme Court has made it abundantly clear that there must be a particular justification in the statute before this court may announce special rules for patent cases that depart from other areas of civil litigation." (citations omitted)). Accordingly, the dissent carefully examined the Patent Act and its legislative history, demanding but not finding "compelling evidence" for a unique patent-law rule. Pet. App. 48a–49a.

The dissent began by examining § 286's timeliness rule, criticizing the majority for reading § 282's defenses in isolation. Pet. App. 49a. The dissent found the latter provision "ambiguous at best" and criticized the majority's approach to statutory construction, which "cannot turn on this kind of guesswork." Pet. App. 50a.

Finding the Federico Commentary ambiguous and of dubious value as a tool for divining legislative intent, the dissent turned to the majority's contention that Congress intended to enact lower court decisions into law *sub silentio*. The dissent declined to adopt that theory of statutory construction, which would interpret the Patent Act in derogation of a common-law rule clearly stated by this Court. Pet. App. 53a–59a. Moreover, the dissent concluded that the lower court decisions on which the majority relied were ambiguous or decided under a misinterpretation of the provisions merging law and equity. Pet. App. 59a–64a. The dissent concluded that "[f]ollowing the Supreme Court's longstanding precedent, I read § 286 to express Congress' exclusive judgment on the timeliness of a claim for damages." Pet. App. 66a.

REASONS FOR GRANTING THE PETITION

The Federal Circuit's sharply-divided decision reaffirming the applicability of laches to patent infringement claims accruing within the six-year limitations period of § 286 conflicts with *Petrella* and a long line of the Court's other precedents. In *Petrella*, the Court observed that "we have never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period." 134 S. Ct. at 1974–75. The Court reiterated that, "[i]f Congress

explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter." *Id.* at 1973 (quoting *Holmberg v. Armbrecht*, 327 U.S. 392, 395–96 (1946) (explaining that "[t]he Congressional statute of limitation is definitive")). In enacting § 286, Congress has plainly put a specific timeliness limit on patent infringement actions without prescribing any role for the equitable laches doctrine. As this Court's decision in *Petrella* recognized, equity follows the law and where, as here, Congress has set down a legal time limitation, the courts are not free to shorten the period through an equitable laches device.

Rejecting the Court's approach in *Petrella* and the bedrock principles on which it stands, the Federal Circuit adopted in the decision below a special rule for patent infringement cases. While all members of the court agreed that the logic of *Petrella* applies equally to copyright and patent law, a narrow majority then refused to apply that logic. A spirited dissent criticized the majority for improperly adopting a "patent specific approach to the equitable doctrine of laches," which "overlooks Congress' intent and Supreme Court precedent." Pet. App. 45a. The Federal Circuit is deeply divided on an important and recurring issue of law over which it alone, among the courts of appeals, has jurisdiction to decide. Only this Court can resolve that controversy.

The majority's approach to statutory construction is inconsistent with this Court's precedent, leading it to commit four crucial errors in interpreting the Patent Act. *First*, the Act makes no reference to laches, and the court should have gone no further than reading the words of the statute.

Second, the legislative history demonstrates that Congress enacted the six-year statute of limitations in 1897 to create a uniform national rule for the timeliness of suit. Laches vitiates that easily administered rule, vesting courts with power to bar claims that Congress made timely.

Third, the cornerstone of the Federal Circuit's decision is the post-passage commentary of a PTO official who helped draft the legislation. This subsequent, isolated statement is not even legislative history and does not address the issue presented here—whether laches is available to bar damage claims at law, as opposed to claims for equitable relief.

Fourth, the Federal Circuit relied on a handful of vague lower court cases, decided at the time of the merger of law and equity. Those cases do not establish a dispositive rule and, in any event, conflict with this Court's precedents.

Finally, if this Court were to conclude that Congress intended to grant district courts discretion to bar pre-suit damages, it should address the standard for exercising that power. The Federal Circuit applies a presumption of delay and prejudice if infringement begins more than six years before suit. This presumption is unique in law, and there is no justification for it.

The question presented is an important issue reserved in *Petrella* but now ripe for determination. At issue is the vitality of a defense pled in numerous cases, as well as the standard for declaring special patent-specific rules of decision. The holding below, permitting

claims that are timely under § 286 to be turned away on laches grounds, undeniably encourages premature litigation. Litigants that take the time to pursue careful analysis of their claims, administrative review, or even settlement discussions before filing suit run the risk of having their statutorily viable claims denied on equitable timeliness theories. This case presents an ideal vehicle to resolve the question presented. The Federal Circuit has authoritatively decided en banc an issue that, absent direction from this Court or Congress, no other court can resolve. Likewise, this Court's decision is outcome-determinative in this particular controversy. The petition should be granted.

I. THE EN BANC DECISION CONFLICTS WITH THIS COURT'S DECISION IN *PETRELLA* THAT LACHES CANNOT BAR DAMAGES CLAIMS BROUGHT WITHIN A STATUTORY LIMITATIONS PERIOD.

Petrella considered whether laches can bar a damages claim brought within the Copyright Act's three-year limitations period, 17 U.S.C. § 507(b). The Court analyzed at length the history of the laches doctrine and the relationship between legal and equitable claims. The Court reaffirmed that Congress, not the courts, is the proper arbiter of timeliness in actions at law: "[t]o the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period . . . courts are not at liberty to jettison Congress' judgment on the timelinesss of suit." *Petrella*, 134 S. Ct. at 1967. Thus, the Court held, laches "cannot be invoked to preclude adjudication of a claim for damages brought within the three-year window." *Id.*

Petrella is the most recent in a long line of decisions addressing the proper relationship between law and equity. Courts developed laches in equity, and "its principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Id.* at 1973. That observation pertains to claims brought both before and after the merger of law and equity in 1938. In 1935, this Court held that "[l]aches within the term of the statute of limitations is no defense at law." *United States v. Mack*, 295 U.S. 480, 489 (1935). In 1946, the Court "cautioned against invoking laches to bar legal relief." *Petrella*, 134 S. Ct. at 1973 (describing *Holmberg*, 327 U.S. at 395). Almost forty years later, this Court noted "that application of the equitable defense of laches in an action at law would be novel indeed." *Cnty. of Oneida v. Oneida Indian Nation*, 470 U.S. 226, 244 n.16 (1985).

Like the Copyright Act, the Patent Act has a statutory limitations period. Section 286 provides: "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint . . ." 35 U.S.C. § 286. As the majority below stated, there is "no substantive distinction material to the *Petrella* analysis between § 286 and the copyright statute of limitations considered in *Petrella*." Pet. App. 18a.

Having concluded that the Copyright and Patent Act's statutory limitations periods were substantively identical, the Federal Circuit should have overruled *Aukerman* and abandoned its special laches rule in patent infringement cases. But rather than conform patent law to copyright law (and every other area of federal law), the court refused to modify its position. As the dissent pointedly noted, this

Court "has repeatedly cautioned [the Federal Circuit] not to create special rules for patent cases." Pet. App. 46a. Given this "Court's clear, consistent, and longstanding position on the unavailability of laches to bar damage claims filed within the statutory limitations period," the dissent reasoned, the Federal Circuit "should not do so here." *Id.*

As this Court's precedents make plain, the starting point in construing any federal statute is the words of the statute itself. In this instance, the statutory language is clear. It prescribes a six-year look-back period and neither makes any mention of, nor otherwise preserves any role for, the equitable laches doctrine. After this Court decided *Petrella*, that should have been the end of the analysis. But instead of following *Petrella*, the court below relied on misguided contextual evaluation of another statutory provision (§ 282), a misreading of the legislative history, ambiguous post-enactment commentary, and the canon of construction that statutes that invade the common law should be construed narrowly. None of these considerations, however, justify the court's departure from sound interpretative principles.

1. *Statutory Text.* The most basic rule of statutory construction is that, wherever possible, the words of a statute should be given their plain meaning. *Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 568 (2005); *Consumer Prod. Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 108 (1980). Here, the relevant statute is § 286, which provides a clear rule of decision concerning the timeliness of patent infringement claims. Claims for infringement occurring more than six years before suit are barred. This bright-line rule is easily administered

and provides clear guidance to litigants and the courts. Once Congress enacts such a clear statutory limitations period, that should be the "end of the matter." *Holmberg*, 327 U.S. at 395; *accord Petrella*, 134 S. Ct. at 1973.

The Federal Circuit refused to give primacy to the language of the statute of limitations, finding in § 282's enumerated defenses the judicial power to curtail § 286's six-year limitations period. Section 282, however, makes no mention of laches. And the majority paints § 282 with a very broad brush, failing to identify which specific words grant this unique power.[3] Because § 282 is unambiguous, "the authoritative statement is the statutory text, not the legislative history or any other extrinsic material." *Exxon Mobil*, 545 U.S. at 568.

Had Congress intended to include laches as a defense, it certainly knew how to do so. In 1946, Congress passed the Lanham Act, which explicitly states that "equitable principles, including *laches*, estoppel, and acquiescence, are applicable." 15 U.S.C. § 1115(b)(9) (emphasis added); *see also Petrella*, 134 S. Ct. at 1974 n.15 (noting "the Lanham Act . . expressly provides for defensive use of 'equitable principles, including laches'"). Many of the same members of the Lanham Act Congress participated in passing the Patent Act six years later. In 1952, however, Congress did not discuss laches, much less write the defense into the statute. Congress knows how to incorporate a laches

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3. The majority did not identify the specific portion of § 282 on which it relied. As the dissent noted, the only possible candidate for a legislative hook upon which to rest the majority's laches theory is § 282(b)(1), which identifies the defenses of "[n]oninfringement, absence of liability for infringement or unenforceability." Pet. App. 49a–50a.

defense when it wants to, but did not do so in enacting either §§ 282 or 286.

2. *Patent Law Exceptionalism.* The dissent correctly noted that maintaining a separate patent-law rule for laches would require compelling evidence that Congress intended to depart from traditional common-law principles—here, that laches applies only to equitable claims. Pet. App. 48a (citing *Nken* v. *Holder* 556 U.S. 418, 433 (2009) (applying the "presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident"); *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320 (1982) ("[A] major departure from the long tradition of equity practice should not be lightly implied")). In this regard, patent law has proved a vexing area where the Federal Circuit has repeatedly created special, patent-specific rules without giving proper deference to the common law. *See Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 836–40 (2015) (treatment of factual findings on appeal); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014) (exceptional case); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (injunctive relief). Here, there is no such compelling evidence.

Notably, the history behind § 286 provides no support for the proposition that Congress intended to create a unique patent-law rule. Indeed, the legislative history refutes this theory. From 1874 to 1897, there was no limitations period in the patent laws, so district courts filled the gap by applying analogous state statutes of limitations. *Campbell*, 155 U.S. at 613–14. The timeliness of suit varied from district to district, a situation Congress

found untenable. As a result, Congress enacted a six-year limitations period to "create a uniform statute of limitations." H.R. REP. No. 54-940, at 2 (1896); Act of Mar. 3, 1897, ch. 391, sec. 6, § 4921, 29 Stat. 692, 694. The language of the 1897 provision remains substantively the same today. There is no discussion in any of the legislative history in 1897, or later, indicating that Congress wanted to abandon the bright-line rule of a statutory limitations period.

3. *Post-Enactment "Legislative History."* In conducting its analysis, the Federal Circuit relied heavily on a few words in the 1954 Federico Commentary, in which Mr. Federico stated his view that the 1952 Patent Act intended to encompass "equitable defenses such as laches, estoppel and unclean hands." Pet. App. 9a, 20a (quoting Federico Commentary at 215).

Putting aside whether it is proper at all to refer to an ex post commentary by a PTO official, the comment does not answer the question presented here. There is no dispute that laches is available in exceptional cases to bar equitable claims for such remedies as injunctive relief. The court below, however, construed the statement expansively, presuming that Mr. Federico was also suggesting that Congress intended to approve the use of laches *in actions at law for damages*. Not only did Mr. Federico not say that expressly, the court's construction of his view stands in stark contrast to a long line of Supreme Court precedent.

Moreover, although it forms the cornerstone of the Federal Circuit's decision, the Federico Commentary is not even proper legislative history. Mr. Federico was

not a legislator and his comments came two years too late to shed light on legislative intent: "[p]ost-enactment legislative history (a contradiction in terms) is not a legitimate tool of statutory interpretation." *Bruesewitz v. Wyeth LLC*, 562 U.S. 223, 242 (2011). And by its own terms, the commentary consists of Mr. Federico's private "opinions and views," not those of Congress or even the PTO. Federico Commentary at 162–63.

4. *Reliance on Lower Court Precedent at Odds with This Court's Precedents.* The Federal Circuit also relied heavily on the canon of construction that "[w]hen a statute covers an issue previously governed by the common law, we must presume that Congress intended to retain the substance of the common law." Pet. App. 24a (quoting *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013) (internal quotation marks omitted)). But that principle applies only when the common-law principle is "well established." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991).

Here, the common law was that laches cannot bar claims for legal relief, a rule repeatedly reaffirmed by this Court. *Cross v. Allen*, 141 U.S. 528, 537 (1891); *Wehrman v. Conklin*, 155 U.S. 314, 326–27 (1894); *Mack*, 295 U.S. at 489; *Holmberg*, 327 U.S. at 395; *Petrella*, 134 S. Ct. at 1973–74. The only exception is where Congress has not enacted a limitations period, in which case courts may use laches to measure the timeliness of claims by reference to analogous state limitations periods. But that is not the case here.

The majority below posited a different common-law rule for patent infringement damage claims, asserting

that "the case law demonstrates that by 1952, courts consistently applied laches to preclude recovery of legal damages." Pet. App. 29a. Bereft of support from this Court's decisions, the majority turned to vague lower court decisions. Pet. App. 29a–32a. As stated by the dissent, "[n]early all of these decisions either apply laches under a misinterpretation of § 274(b) of the Judicial Code, mention laches in dicta, or apply laches to bar a claim brought in equity." Pet. App. 59a.

For example, the majority relied heavily on *Ford* v. *Huff*, 296 F. 652 (5th Cir. 1924). Pet. App. 30a–31a. But *Ford* neither reflects the common law nor supports the majority's position. The plaintiff in *Ford* accepted payments from the defendant and thereby conveyed an intent to discharge his claim. 296 F. at 657. As a result, the Fifth Circuit concluded that the plaintiff was estopped from pursuing the claim. *Id.* at 656. Although the Fifth Circuit included the word "laches" in its decision, the real work was done through estoppel. Pet. App. 60a–61a.

Moreover, *Ford* was decided within the framework established by § 274b of the Judicial Code. Act of Mar. 3, 1915, ch. 90, § 274b, 38 Stat. 956 (repealed 1938). Section 274b permitted the joinder of legal and equitable claims in one complaint, but was occasionally misinterpreted to permit the application of equitable defenses to legal claims. In 1935, this Court ruled that the provision was purely procedural in nature and did not change substantive legal principles. *Enelow v. N.Y. Life Ins. Co.*, 293 U.S. 379, 382 (1935), *overruled on other grounds by Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 282–83 (1988). Thus, *Ford* can be read as either an estoppel case (the better view) or a

misapplication of the relatively new merger statute, but it does not support the view that there was at that time a well-established, common-law practice of barring legal claims for patent infringement damages. *See* Pet. App. 60a–61a.

The other cases relied on by the majority fare no better. The dissent observed that *Banker v. Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934), "took *Ford* beyond its holding and applied laches in an action at law based on a misinterpretation of" the new merger statute. Pet. App. 61a. Most of the remaining cases involved courts of equity barring a plaintiff's suit due to laches or involved an accounting, a remedy available in equity. *See* Pet. App. 62a.

Indeed, the use of laches in patent infringement actions at law was far from uniform by 1952; several courts had expressly rejected that position. *E.g.*, *Middleton v. Wiley*, 195 F.2d 844, 847 (8th Cir. 1952) (holding that "mere delay in seeking redress cannot destroy the right of the patentee to compensatory damages"); *Thorpe v. William Filene's Sons Co.*, 40 F.2d 269, 269 (D. Mass. 1930) (merger of law and equity did not permit pleading of laches in patent actions at law). In 1952, there was, at best, a circuit split.

II. THE FEDERAL CIRCUIT'S UNIQUE PRESUMPTIONS IN FAVOR OF LACHES ARE INCONSISTENT WITH THIS COURT'S EQUITY JURISPRUDENCE.

Even if courts have the power to curtail the six-year limitations period of § 286 through the application of

laches, they may not presume laches simply because an earlier infringement occurred before the statutory limitations period. This Court has never reviewed the Federal Circuit's unique and rigid presumption regime set out in *Aukerman*, the logic of which is deeply flawed. It should do so now.

The Federal Circuit held in *Aukerman* that when a first act of infringement occurs more than six years before suit, then the reliance and prejudice elements of laches are presumed with respect to all infringement occurring during the six-year period. 960 F.2d at 1028. The presumptions rest on the premise that infringement is a "unitary claim," and that infringement before and after the six-year limitations date must rise and fall together. *Id.* at 1031–32.

This Court expressly rejected that rationale in *Petrella*. *Petrella* recognized that statutes of limitations, including the one in the Copyright Act, are governed by the separate-accrual rule. Under the separate-accrual rule, each infringement is a discrete tort, and "each infringing act starts a new limitations period." *Petrella*, 134 S. Ct. at 1969. The Ninth Circuit's presumption of laches in *Petrella*, like the presumption of laches here, conflicted with this separate-accrual rule. The Copyright Act's statute of limitations "makes the starting trigger an infringing act committed three years back from the commencement of suit, while laches," especially the presumption in favor of laches, "makes the presumptive trigger the defendant's *initial* infringing act." *Id.* at 1975. Thus, even if the doctrine of laches had any continued vitality in relation to legal damages, there would be no basis for presuming unreasonable delay and prejudice with

respect to *new* acts of infringement occurring within the six-year damages window.

The presumptions work perverse results. Here, SCA is barred from suing for wrongs inflicted during a reexamination that it instituted to obtain the Patent Office's view on patentability, for infringement of claims which issued only at the conclusion of the reexamination, and even for infringement damages accruing the day before suit. The Federal Circuit held summary judgment was inappropriate on estoppel because of disputed issues of fact on reliance and prejudice, but that prejudice was presumed for laches. This all makes little sense.

Moreover, the *Aukerman* presumptions grow out of the view that a plaintiff who delays bringing suit is presumptively in the wrong and owes the court an explanation before being granted admission to the courthouse: "[T]his does not mean that a patentee may intentionally lie silently in wait watching damages escalate . . . ." *Aukerman*, 960 F.2d at 1033. But this Court rejected that view in *Petrella*, holding in the face of an eighteen-year delay that there is "nothing untoward about waiting to see whether an infringer's exploitation" causes harm, and that the limitations period is a sufficient remedy. *Petrella*, 134 S. Ct. at 1976. The *Aukerman* presumptions conflict with *Petrella*, and review is warranted.

III. THIS CASE PRESENTS AN ISSUE OF GREAT IMPORTANCE AND IS AN EXCELLENT VEHICLE FOR REVIEW.

1. There is a deep disagreement at the Federal Circuit, both with respect to the application of laches

and the standard to be employed when creating a rule specific to patent law. One wing of the court of appeals, represented by the five dissenters below, heeded this Court's admonitions and insisted on a high bar before adopting patent law exceptionalism. Pet. App. 45a–46a. The majority, however, afforded insufficient deference both to this Court's decisions and the will of Congress.

The decision below is in line with numerous other cases in which the Federal Circuit has created special patent-law rules without proper deference to traditional legal principles or Congress. *See, e.g.*, *Teva Pharm.*, 135 S. Ct. at 836–40; *Octane Fitness*, 134 S. Ct. at 1758; *eBay*, 547 U.S. at 391. *Aukerman* expressly lauded "the *discretionary* power" of judges while calling the congressional six-year bar of § 286 "an *arbitrary* limitation." *Aukerman*, 960 F.2d at 1030 (emphases in original). *Petrella*, however, takes the opposite view, holding that laches is "essentially gap-filling, not legislation-overriding." 134 S. Ct. at 1974. Courts should have recourse to laches only where Congress has failed to provide a timeliness rule. *Id.* at 1973–74. This Court should grant certiorari to bring Federal Circuit law into conformity with the common law and provide guidance as to when patent exceptions to traditional legal rules and principles are appropriate.

2. Because the Federal Circuit hears all cases arising under the patent laws, there is no opportunity for further percolation. And having revisited its laches jurisprudence in *Aukerman* in 1992 and in this case in 2015, it is unlikely to do so again for many decades. In the interim, numerous cases will be affected by the wrongly-decided decision below. The issue is so important that forty parties signed on to nineteen separate amicus briefs below. The amici

include private parties, important legal institutions, and law professors. The American Intellectual Property Law Association filed a brief in support SCA's position. ECF No. 140. A group of law professors with expertise in equity provided an erudite analysis of the division of law and equity and explained that *Aukerman* conflicted with *Petrella*. ECF No. 112. Following the decision below, the American Bar Association Committee on Patent Litigation issued a report stating that the decision "cannot be reconciled with the clear rule of *Petrella*" and was wrongly decided. Daniel Zaheer, *SCA Hygiene Subcommittee Report*, 2015 A.B.A. INTELL. PROP. L. PAT. LITIG. COMM. REP. 106, at 7 (2015), *available at* http://apps.americanbar.org/dch/thedl.cfm?filename=/PT011200/otherlinks_files/20151022_SCAHygieneRpt_Final.pdf [hereinafter "ABA Report"]. The ABA Report notes that "each of the rationales provided by the Federal Circuit is called into question by Supreme Court precedent." *Id.* Rarely do appellate decisions attract such attention and concern. Because of the significant interests at stake, certiorari is warranted.

3. Important policy considerations are also at issue. The majority below argued that public policy supports applying laches to prevent the prosecution of stale claims, citing amici who are typically patent infringement defendants. Pet. App. 38a. The majority thus gave credence to the policy arguments of those who support weakening the patent system without adequately considering the other side of the coin—patent holders who lack the wherewithal to take on expensive litigation or police infringement. The court also did not discuss this Court's express statement in *Petrella* that it is perfectly appropriate to wait and review the scope of infringement before launching expensive litigation. *Petrella*, 134 S. Ct.

at 1976. The decision below adopts the rule rejected by *Petrella*: "sue soon, or forever hold your peace." *Id.* Thus, the ABA quite reasonably worries that the decision below will impede efforts to resolve disputes amicably, out of court, before filing suit. ABA Report at 11. If even the delay required for PTO review of the validity of a patent can trigger laches, as it did here, then patent holders are forced to shoot first and ask questions later.

Most importantly, it is simply not the proper role of the Federal Circuit to weigh in equity a complex policy question like the timeliness of suit that Congress has already decided as a matter of law, let alone to vest in district courts an amorphous equitable discretion to decide which claims shall live and which shall die. In this information economy, where intellectual property is of tremendous importance and value, setting a rule on how long is too long to delay suit is a policy decision best left to the legislature, not the courts. At the end of the day, the courts must apply the prescriptions Congress has enacted. The role of the courts is to interpret statutes, not to rewrite them.

4. Finally, this case is an excellent vehicle for review of the question presented. SCA is conclusively barred from pursuing tens of millions of dollars in pre-suit damages due to the grant and affirmance of summary judgment. The question presented was fully vetted below through extensive briefing and oral argument before the en banc court. Numerous amici joined in the briefs below, and many have indicated that they intend to file briefs in this Court as well. There is virtually no chance that the Federal Circuit will revisit its holding for years to come. At this juncture, the question is now fully ripe for this Court's review.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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Dated: January 19, 2016

APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, DECIDED SEPTEMBER 18, 2015

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2013-1564

SCA HYGIENE PRODUCTS AKTIEBOLAG, SCA PERSONAL CARE, INC.,

Plaintiffs-Appellants,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC. AND FIRST QUALITY RETAIL SERVICES, LLC,

Defendants-Appellees.

September 18, 2015, Decided

REVERSED AND REMANDED.

Before PROST, Chief Judge, NEWMAN, LOURIE, DYK, MOORE, O'MALLEY, REYNA, WALLACH, TARANTO, CHEN, and HUGHES, Circuit Judges.*

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* Circuit Judge Stoll did not participate in this decision.

Appendix A

OPINION

PROST, *Chief Judge.*

We convene en banc to resolve whether, in light of the Supreme Court's recent decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 188 L. Ed. 2d 979 (2014), laches remains a defense to legal relief in a patent infringement suit. We conclude that Congress codified a laches defense in 35 U.S.C. § 282(b)(1) that may bar legal remedies. Accordingly, we have no judicial authority to question the law's propriety. Whether Congress considered the quandary in *Petrella* is irrelevant--in the 1952 Patent Act, Congress settled that laches and a time limitation on the recovery of damages can coexist in patent law. We must respect that statutory law.

Nevertheless, we must adjust the laches defense in one respect to harmonize it with *Petrella* and other Supreme Court precedent. We emphasize that equitable principles apply whenever an accused infringer seeks to use laches to bar ongoing relief. Specifically, as to injunctions, considerations of laches fit naturally within the *eBay* framework. In contrast, *Menendez v. Holt*, 128 U.S. 514, 9 S. Ct. 143, 32 L. Ed. 526, 1889 Dec. Comm'r Pat. 344 (1888), and *Petrella* counsel that laches will only foreclose an ongoing royalty in extraordinary circumstances.

I. BACKGROUND

The present dispute arose out of litigation concerning adult incontinence products. SCA alleges that First Quality, a competitor in the adult incontinence products

market, infringes U.S. Patent No. 6,375,646 ('646 patent). SCA first contended that First Quality's Prevail® All Nites[TM] product infringes the '646 patent in a letter sent to First Quality on October 31, 2003. The correspondence explained:

> It has come to our attention that you are making, selling and/or offering for sale in the United States absorbent pants-type diapers under the name Prevail® All Nites[TM]. We believe that these products infringe claims of [the '646 patent].
>
> We suggest that you study [the '646 patent]. If you are of the opinion that the First Quality Prevail® All Nites[TM] absorbent pants-type diaper does not infringe any of the claims of this patent, please provide us with an explanation as to why you believe the products do not infringe. If you believe that the products do infringe, please provide us with your assurance that you will immediately stop making and selling such products.

J.A. 544.

First Quality responded on November 21, 2003 and claimed the patent was invalid:

> As you suggested, we studied [the '646 patent]. . . . In addition, we made a cursory review of prior patents and located U.S. Patent No. 5,415,649, ("the '649 Patent"), which was filed in the United States on October 29, 1991 and is therefore prior to your client's '646 Patent. A review of Figs. 3 and 4 of the prior '649 Patent reveals the same diaper construction claimed by the '646 Patent. Thus, the prior '649 Patent invalidates your client's '646 Patent. As you know, an invalid patent cannot be infringed.

J.A. 547. SCA and First Quality ceased communications regarding the '646 patent after First Quality's response. However, on July 7, 2004, SCA requested reexamination of the '646 patent in light of the '649 patent. SCA did not notify First Quality of the reexamination because, in SCA's view, U.S. Patent and Trademark Office ("PTO") reexaminations are public and First Quality could follow the proceedings itself. Yet, from First Quality's point of view, SCA dropped its infringement allegations against First Quality after First Quality argued the patent was invalid in the November 21st letter.

The PTO instituted reexamination on the '646 patent and, on March 27, 2007, confirmed the patentability of all twenty-eight original claims and issued several other claims SCA added during reexamination. Meanwhile, First Quality invested heavily in its protective underwear

business. In 2006, First Quality expanded its line of adult incontinence products. In 2008, First Quality acquired Tyco Healthcare Retail Group LP, which had several lines of competing products, and in 2009 First Quality spent another $10 million to purchase three more lines of protective underwear products. SCA was aware of First Quality's activities, but never mentioned the '646 patent to First Quality during this time.

On August 2, 2010--over three years after reexamination concluded--SCA filed a complaint alleging that First Quality infringes the '646 patent. Service of the complaint was the first time in nearly seven years that SCA had communicated with First Quality regarding the '646 patent. The district court proceeded with discovery and issued a claim construction order. First Quality then moved for partial summary judgment of noninfringement and for summary judgment of laches and equitable estoppel. The district court granted First Quality's motion as to laches and equitable estoppel and dismissed the noninfringement motion as moot.

SCA appealed, and on September 17, 2014, a panel of this court affirmed the district court's opinion on laches, but reversed as to equitable estoppel. *See SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 767 F.3d 1339 (Fed. Cir. 2014) ("*Panel Opinion*"). On laches, the panel rejected SCA's argument that the Supreme Court's *Petrella* decision abolished laches in patent law, reasoning instead that the panel was bound by this court's prior en banc opinion in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed.

Cir. 1992) (en banc), and that *Petrella* left *Aukerman* intact. *Panel Opinion* at 1345. As to the delay element, the panel opinion held that while "SCA was not required to provide notice of the reexamination to First Quality," "SCA remained silent for more than three years after the patent came out of reexamination." *Id.* at 1346. "Given the circumstances, SCA should have been prepared to reassert its rights against First Quality shortly after the '646 patent emerged from reexamination." *Id.* Therefore, the panel concluded that "SCA has failed to raise a genuine issue of material fact regarding the reasonability of its delay." *Id.*

With respect to the prejudice element of laches, the panel affirmed the district court's analysis. Specifically, the panel agreed that First Quality made a number of significant capital expenditures in its adult incontinence business, and that First Quality likely would have "restructured its activities to minimize infringement liability if SCA had brought suit earlier." *Id.* at 1347. Because SCA did not present any contrary evidence, the panel held that "SCA has not identified any evidence that raises a genuine issue of material fact regarding First Quality's presumed economic prejudice." *Id.* at 1348. And although the district court did not explicitly weigh the equities in determining that laches applied, the panel concluded the error was harmless. *Id.* Thus, the panel affirmed the district court's grant of summary judgment on laches.[1]

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1. On equitable estoppel, the panel reversed the district court's grant of summary judgment because competing inferences could be drawn as to the meaning of SCA's silence regarding the

SCA subsequently filed a petition for rehearing en banc, asking this court to reconsider *Aukerman* in light of *Petrella*. On December 30, 2014, this court granted SCA's petition and posed the following two en banc questions:

> (a) In light of the Supreme Court's decision in *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962, 188 L. Ed. 2d 979 (2014) (and considering any relevant differences between copyright and patent law), should this court's en banc decision in *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992), be overruled so that the defense of laches is not applicable to bar a claim for damages based on patent infringement occurring within the six-year damages limitations period established by 35 U.S.C. § 286?
>
> (b) In light of the fact that there is no statute of limitations for claims of patent infringement and in view of Supreme Court precedent, should the defense of laches be available under some circumstances to bar an entire infringement suit for either damages or injunctive relief? *See, e.g., Lane & Bodley Co. v. Locke*, 150 U.S. 193, 14 S. Ct. 78, 37 L. Ed. 1049 (1893).

'646 patent. *Panel Opinion* at 1350. The panel also held that a dispute of material fact remained over whether First Quality relied on SCA's alleged misleading communication because First Quality could have relied on its own belief that the '646 patent was invalid or simply ignored the '646 patent. *Id.* at 1350-51.

Appendix A

SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, No. 2013-1564, 2014 U.S. App. LEXIS 24697, 2014 WL 7460970, at *1 (Fed. Cir. Dec. 30, 2014) (granting en banc review). Following briefing, including numerous amicus briefs, we held oral argument on June 19, 2015.

We have jurisdiction under 28 U.S.C. § 1295(a)(1).

II. VIABILITY OF LACHES AFTER *PETRELLA*

A

SCA contends that, after the Supreme Court's decision in *Petrella*, laches is no longer available as a defense to patent infringement within the six-year damages recovery period. We last addressed our laches law en banc in *Aukerman*. There, we set out five rules regarding the laches defense:

1. Laches is cognizable under 35 U.S.C. § 282 (1988) as an equitable defense to a claim for patent infringement.

2. Where the defense of laches is established, the patentee's claim for damages prior to suit may be barred.

3. Two elements underlie the defense of laches: (a) the patentee's delay in bringing suit was unreasonable and inexcusable, and (b) the alleged infringer suffered material prejudice attributable to the delay.

The district court should consider these factors and all of the evidence and other circumstances to determine whether equity should intercede to bar prefiling damages.

4. A presumption of laches arises where a patentee delays bringing suit for more than six years after the date the patentee knew or should have known of the alleged infringer's activity.

5. A presumption has the effect of shifting the burden of going forward with evidence, not the burden of persuasion.

Aukerman, 960 F.2d at 1028.

Four different portions of *Aukerman*'s reasoning are especially relevant to this case. First, we determined in *Aukerman* that laches was codified in 35 U.S.C. § 282. *Aukerman* explained that, "[a]s a defense to a claim of patent infringement, laches was well established at the time of recodification of the patent laws in 1952." *Id.* at 1029. We also credited P.J. Federico's *Commentary on the New Patent Act* for its observation that the second paragraph of § 282 includes "equitable defenses such as laches, estoppel and unclean hands." *Id.* (quoting P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1 , 55 (West 1954) (hereinafter Federico *Commentary*)).

Second, *Aukerman* addressed the argument that laches conflicts with 35 U.S.C. § 286, which limits recovery of damages to the six years prior to the complaint. We explained that "[i]n other areas of our jurisdiction, laches is routinely applied within the prescribed statute of limitations period for bringing the claim." *Id.* at 1030 (citing *Cornetta v. United States*, 851 F.2d 1372 (Fed. Cir. 1988) (en banc) (military pay); *Reconstruction Finance Corp. v. Harrisons & Crosfield Ltd.*, 204 F.2d 366 (2d Cir.), *cert. denied*, 346 U.S. 854, 74 S. Ct. 69, 98 L. Ed. 368 (1953) (breach of contract)). Moreover, we observed that § 286 (or a virtually identical analogue) "has been in the patent statute since 1897," and that, "[w]ithout exception, all circuits recognized laches as a defense to a charge of patent infringement despite the reenactment of the damages limitation in the 1952 statute." *Id. Aukerman* also noted that "section 286 is not a statute of limitations in the sense of barring a suit for infringement." *Id.* Rather, "the effect of section 286 is to limit recovery to damages for infringing acts committed within six years of the date of the filing of the infringement action." *Id.* Finally, we reasoned that laches and a statute of limitations are not inherently incompatible. "By section 286, Congress imposed an *arbitrary* limitation on the period for which damages may be awarded on any claim for patent infringement. Laches, on the other hand, invokes the *discretionary* power of the district court to limit the defendant's liability for infringement by reason of the equities between the particular parties." *Id.* (emphasis in original).

Third, we rejected the argument "that laches, by reason of being an equitable defense, may be applied only to monetary awards resulting from an equitable accounting, not to legal claims for damages." *Aukerman*, 960 F.2d at 1031. According to the *Aukerman* court, the merger of law and equity courts allowed laches to bar legal relief. When in 1915 Congress enacted 28 U.S.C. § 398--which authorized parties to plead equitable defenses at law without having to file a separate bill in equity--"laches became available to bar legal relief, including patent damage actions." *Id.* We also found persuasive the fact that Federal Rule of Civil Procedure 8(c) recognizes laches as a defense in civil actions. *Id.*

Fourth, *Aukerman* considered whether laches bars recovery of pre-filing damages only, or whether it precludes the entire suit. In ruling that laches prohibits recovery of pre-filing damages only, *Aukerman* relied on the Supreme Court's *Menendez* decision. *Aukerman* quoted the following portion of *Menendez*:

> Mere delay or acquiescence cannot defeat the remedy by injunction in support of the legal right, unless it has been continued so long[,] and under such circumstances[,] as to defeat the right itself. . . . Acquiescence[,] to avail[,] must be such as to create a new right in the defendant. . . .
>
> So far as the act complained of is completed, acquiescence may defeat the remedy on the principle applicable when action is taken on the

> strength of encouragement to do it[;] but so far as the act is in progress[,] and lies in the future, the right to the intervention of equity is not generally lost by previous delay, in respect to which the elements of an estoppel could rarely arise.

Aukerman, 960 F.2d at 1040 (quoting *Menendez*, 128 U.S. at 523-24.) *Aukerman* was motivated by preserving the distinction between laches--which bars only pre-suit damages--and equitable estoppel--which bars the entire suit. *Id.* Estoppel, which does not necessarily involve delay in bringing suit, requires "statements or conduct of the patentee which must 'communicate . . . in a misleading way' . . . that the accused infringer will not be disturbed by the plaintiff patentee in the activities in which the former is currently engaged." *Id.* at 1042. *Aukerman* explained that the "stated difference in the effect of laches and estoppel has served well to emphasize that more is required in the overall equities than simple laches if an alleged infringer seeks to wholly bar a patentee's claim." *Id.* at 1040. The court dismissed a rule by which laches could bar all relief "in egregious circumstances." *Id.*

For over two decades, *Aukerman* governed the operation of laches in patent cases. However, last year in *Petrella* the Supreme Court held that laches was not a defense to legal relief in copyright law. *Petrella* calls portions of *Aukerman*'s reasoning into question, necessitating our present en banc reconsideration of laches.

Petrella involved an assertion that Metro-Goldwyn-Mayer's ("MGM") critically-acclaimed 1980 film Raging Bull infringed a copyright in a 1963 screenplay authored by Frank Petrella. Frank Petrella's daughter, Paula Petrella ("Petrella"), renewed the copyright in 1991, but did not contact MGM until seven years later. *Petrella*, 134 S. Ct. at 1971. Over the next two years, Petrella and MGM exchanged letters concerning Petrella's copyright claim. *Id.* Petrella then went silent, and did not file suit until January 6, 2009, about nine years after her last correspondence with MGM. *Id.* To dispose of the suit, MGM moved for summary judgment of laches, which the district court granted and the Ninth Circuit affirmed.

However, the Supreme Court reversed, holding that laches is no defense to a copyright infringement suit brought within the Copyright Act's statutory limitations period. Fundamentally, the Supreme Court reasoned that "the copyright statute of limitations, § 507(b), itself takes account of delay," crowding out the judiciary's power to decide whether a suit is timely. *Id.* at 1973. According to the Court, "[l]aches . . . originally served as a guide when no statute of limitations controlled the claim." *Id.* at 1975. Historically, "laches is a defense developed by courts of equity; its principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Id.* at 1973. Laches is thus "gap-filling, not legislation-overriding." *Id.* at 1974. In this respect, separation of powers concerns drove the result in *Petrella*. *Petrella* consequently held that "in face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief." *Id.* Therefore, under

Petrella, "[t]o the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period . . . courts are not at liberty to jettison Congress' judgment on the timeliness of suit." *Id.* at 1967.

In addition, the *Petrella* Court conceded that "there has been, since 1938, only one form of action--the civil action." *Petrella*, 134 S. Ct. at 1974 (internal quotation marks omitted). But, the Court responded, "the substantive and remedial principles [applicable] prior to the advent of the federal rules [have] not changed." *Id.* (alterations in original) (internal quotation marks omitted). "Both before and after the merger of law and equity in 1938, this Court has cautioned against invoking laches to bar legal relief." *Id.* at 1973.

Petrella also addressed the extent to which laches should affect equitable relief. The Court explained: "In extraordinary circumstances, however, the consequences of a delay in commencing suit may be of sufficient magnitude to warrant, at the very outset of the litigation, curtailment of the relief equitably awardable." *Id.* at 1977. *Petrella* then contrasted a Sixth Circuit case involving a copyrighted architectural design and the facts in *Petrella*. In the Sixth Circuit case, *Chirco v. Crosswinds Communities, Inc.*, 474 F.3d 227 (6th Cir. 2007), the plaintiffs "would not be entitled to an order mandating destruction of the housing project" embodying the copyrighted design because "the plaintiffs knew of the defendants' construction plans before the defendants broke ground, yet failed to take readily available measures to stop the project; and the requested relief would work an *unjust* hardship upon the defendants

and innocent third parties." *Petrella*, 134 S. Ct. at 1978 (emphasis in original) (internal quotation marks omitted). In *Petrella*, however, "Petrella notified MGM of her copyright claims *before* MGM invested millions of dollars in creating a new edition of Raging Bull. And the equitable relief Petrella seeks--*e.g.*, disgorgement of unjust gains and an injunction against future infringement--would not result in total destruction of the film, or anything close to it." *Id.* (emphasis in original) (internal quotation marks omitted). Furthermore, the Court reasoned that "[a]llowing Petrella's suit to go forward will put at risk only a fraction of the income MGM has earned during that period and will work no unjust hardship on innocent third parties, such as consumers who have purchased copies of Raging Bull. The circumstances here may or may not (we need not decide) warrant limiting relief at the remedial stage, but they are not sufficiently extraordinary to justify threshold dismissal." *Id.* (citation omitted).

Nonetheless, the Supreme Court continued: "Should Petrella ultimately prevail on the merits, the District Court, in determining appropriate injunctive relief and assessing profits, may take account of her delay in commencing suit." *Id.* The Court then laid out several considerations for the district court. In particular, the "court should closely examine MGM's alleged reliance on Petrella's delay." *Id.* "This examination should take account of MGM's early knowledge of Petrella's claims, the protection MGM might have achieved through pursuit of a declaratory judgment action, the extent to which MGM's investment was protected by the separate-accrual rule, the court's authority to order injunctive relief on such terms as

it may deem reasonable, and any other considerations that would justify adjusting injunctive relief or profits." *Id.* at 1978-79 (internal quotation marks and citation omitted). In conclusion, the Court assured that, "on the facts thus far presented," Petrella would remain entitled to an ongoing royalty. *Id.* at 1979 ("Whatever adjustments may be in order in awarding injunctive relief, and in accounting for MGM's gains and profits, on the facts thus far presented, there is no evident basis for immunizing MGM's present and future uses of the copyrighted work, free from any obligation to pay royalties.").

Finally, the Supreme Court in *Petrella* recognized that Congress could provide for a laches defense, noting, as an example, that it had done so in the Lanham Act, governing trademarks. *Id.* at 1974 n.15. The Court took no position on whether its decision extends to the patent context, remarking that "based in part on § 282 and commentary thereon, legislative history, and historical practice, the Federal Circuit has held that laches can bar damages incurred prior to the commencement of suit, but not injunctive relief. We have not had occasion to review the Federal Circuit's position." *Id.* (citation omitted).

Still, *Petrella* clearly casts doubt on several aspects of *Aukerman*. The following sections reexamine the availability of laches to bar recovery of damages incurred within the six-year limitations period.

B

First, we consider the character of 35 U.S.C. § 286. Section 286 states, in relevant part: "Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." 35 U.S.C. § 286. The parties and amici fervently debate whether § 286 is a statute of limitations or a damages limitation. By its terms, § 286 is a damages limitation. The statute does not preclude bringing a claim--instead, it limits a patentee's damages recovery to compensation for only the last six years of infringement. *See Standard Oil Co. v. Nippon Shokubai Kagaku Kogyo Co.*, 754 F.2d 345, 347-48 (Fed. Cir. 1985).

However, this distinction is irrelevant to the resolution of this case under *Petrella*. As discussed above at II.A, *Petrella* focuses on the fact that, in enacting a statute of limitations, Congress has spoken on the timeliness of copyright infringement damages claims. Thus, the question under *Petrella* is whether Congress has prescribed a time period for recovery of damages. Section 286 is one such prescription. In § 286, Congress provided a six-year time period for recovery of damages. Given that laches also considers the timeliness of damages claims, § 286--a damages-barring time provision--invokes *Petrella*'s logic at least as much as, and perhaps more than, a statute of limitations. *Petrella*, 134 S. Ct. at 1973 ("[T]he copyright statute of limitations, § 507(b), itself takes account of delay."). Moreover, because patent infringement is a continuous tort, there is no relevant

functional difference between a damages limitation and a statute of limitations. We therefore see no substantive distinction material to the *Petrella* analysis between § 286 and the copyright statute of limitations considered in *Petrella*.

C

Next, we determine that Congress codified a laches defense in 35 U.S.C. § 282(b)(1). Section 282(b)[2] provides:

> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> (1) Noninfringement, absence of liability for infringement or unenforceability.
>
> (2) Invalidity of the patent or any claim in suit on any ground specified in part II as a condition for patentability.
>
> (3) Invalidity of the patent or any claim in suit for failure to comply with--
>
> (A) any requirement of section 112, except that the failure to disclose

2. This version of § 282(b) incorporates amendments by the America Invents Act that, due to later effective dates, are inapplicable to the instant case. See Pub. L. 112-29, § 15(a), (c), 125 Stat. 284, 328; § 20(g), (j)(1), (l), 125 Stat. 284, 334-35 (2011). Those amendments, however, would not affect our decision today. For convenience, therefore, we use the current version of the statute.

> the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable; or
>
> (B) any requirement of section 251.
>
> (4) Any other fact or act made a defense by this title.

By its plain terms, § 282 broadly sets out defenses available in a patent infringement or validity suit. Rather than enumerate specific defenses, subsection (1) lists categories of defenses--"[n]oninfringement, absence of liability for infringement or unenforceability." Subsections (2) and (3) follow this pattern, referring to invalidity based on "any ground specified in part II as a condition for patentability," "any requirement of section 112," and "any requirement of section 251." And § 282(b) concludes with a catch-all provision in subsection (4): "[a]ny other fact or act made a defense by this title" is a defense within § 282(b).

The House and Senate Reports on § 282 confirm that Congress intended § 282 to have broad reach. Only one sentence in each Report describes § 282(b), but both endorse an expansive interpretation of the subsection. The Senate Report explains that "[t]he five defenses named in R. S. 4920 are omitted and replaced by a broader paragraph specifying defenses in general terms." S. Rep. No. 82-1979 at 8-9 (1952), 1952 U.S.C.C.A.N. 2394, 2422. Likewise, the House Report clarifies that "[t]he defenses to a suit for infringement are stated in general

terms, changing the language in the present statute, but not materially changing the substance."[3] H.R. Rep. No. 82-1923, at 10 (1952).

Contemporary commentary by "P. J. Federico, a principal draftsman of the 1952 recodification," *Diamond v. Chakrabarty*, 447 U.S. 303, 321, 100 S. Ct. 2204, 65 L. Ed. 2d 144 (1980), reveals that the "broader" and "general" § 282 codified the laches defense. Federico's *Commentary on the New Patent Act*, which appears as a prologue to Title 35 in West's initial publication of the statute, states:

> The defenses which may be raised in an action involving the validity or infringement of a patent are specified in general terms, by the second paragraph of section 282, in five numbered items. Item 1 specifies "Noninfringement, absence of liability for infringement, or unenforceability" (the last word was added by amendment in the Senate for greater clarity); *this would include* the defenses such as that the patented invention has not been made, used or sold by the defendant; license; and *equitable defenses such as laches*, estoppel and unclean hands."

---

3. The dissent asserts that the words "not materially changing the substance" indicate that § 282 is no broader than R. S. 4920. Dissent at 8. But by the statutes' plain terms that contention is wrong. R. S. 4920 enumerated five specific defenses. Even putting aside § 282(b)(1) and the catch-all provision in §282(b)(4), § 282(b)(2) and (b)(3) clearly broaden the statutory defenses available to accused infringers.

Federico *Commentary* (emphases added).

The dissent criticizes our reliance on Federico, Dissent at 9-10, but the Supreme Court has trusted Federico as an authority on the Patent Act at least thrice. *See Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 28, 117 S. Ct. 1040, 137 L. Ed. 2d 146 (1997) (citing 2 D. Chisum, Patents § 8.04[2], pp. 63-64 (1996) (discussing Federico *Commentary*)); *Diamond*, 447 U.S. at 321 (citing *Hearings on H.R. 3760 before Subcommittee No. 3 of the House Committee on the Judiciary*, 82d Cong., 1st Sess., 37 (1951) (statement of P. J. Federico)); *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 342 n.8, 81 S. Ct. 599, 5 L. Ed. 2d 592, 1961 Dec. Comm'r Pat. 635 (1961) (citing Federico *Commentary*). Moreover, we and our predecessors have relied on the Federico *Commentary* countless times as "an invaluable insight into the intentions of the drafters of the Act." *Symbol Techs., Inc. v. Lemelson Med.*, 277 F.3d 1361, 1366 (Fed. Cir. 2002); *see, e.g., Antares Pharma, Inc. v. Medac Pharma Inc.*, 771 F.3d 1354, 1360 (Fed. Cir. 2014); *Slip Track Sys., Inc. v. Metal-Lite, Inc.*, 304 F.3d 1256, 1264 n.2 (Fed. Cir. 2002); *BIC Leisure Prods., Inc. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214, 1220 (Fed. Cir. 1993); *Albert v. Kevex Corp.*, 729 F.2d 757, 761 (Fed. Cir. 1984); *Application of Hogan*, 559 F.2d 595, 603 (C.C.P.A. 1977); *Application of Harry*, 333 F.2d 920, 924 n.2, 51 C.C.P.A. 1541, 1964 Dec. Comm'r Pat. 852 (C.C.P.A. 1964). In addition, Judge Rich, who was deeply involved in crafting the Patent Act, described Federico in a concurring opinion as "[t]he key person" in drafting the Patent Act. *Paulik v. Rizkalla*, 760 F.2d 1270, 1277 (Fed. Cir. 1985) (Rich,

J., concurring). According to Judge Rich, Federico "not only wrote the first draft of the Act himself and actively participated for the next two years in every detail of its revisions but, having been made a special consultant to the House subcommittee in charge of the project, he was also a principal author of House Report No. 1923 on the bill, which was virtually copied by the Senate Judiciary Committee as its report No. 1979, and the author of the section-by-section Revisors Notes." *Id.* Judge Rich also reveals that the Federico *Commentary* was solicited by the West Publishing Company for publication with the new Title 35:

> After enactment of the law, West Publishing Company asked Federico to write a commentary on it for publication in U.S.C.A., which he did, and it was published in 1954 in the first of the volumes containing the new Title 35. Federico also submitted drafts of the commentary to Ashton and the Drafting Committee for suggestions . . . .

Id. (footnote omitted). We therefore consider the Federico *Commentary* to be a sufficiently reliable source on the meaning of § 282.

To summarize, § 282 uses inclusive language, the legislative history characterizes § 282 as "broader" and "general," and the Federico *Commentary* explicitly states that § 282 includes laches. The dissent does not point to anything that contradicts our understanding of § 282. Accordingly, we conclude that Congress codified a laches defense in § 282.

Notably, our construction of § 282 to include laches is neither novel, nor a direct response to *Petrella*. Rather, for decades we have held that laches was codified in § 282, including once sitting en banc in *Aukerman*. *See Aukerman*, 960 F.2d at 1029; *Symbol*, 277 F.3d at 1366; *Mylan Pharms., Inc. v. Thompson*, 268 F.3d 1323, 1331 (Fed. Cir. 2001); *J.P. Stevens & Co. v. Lex Tex Ltd.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984). Nothing in *Petrella* casts doubt on our longstanding construction of the Patent Act.

D

Having determined that Congress codified a laches defense in § 282, we now reach the critical question: does laches as codified in the 1952 Patent Act bar recovery of legal relief? If laches as codified in § 282 is a defense against only equitable relief, *Petrella* prohibits judicial application of laches to bar legal damages. If, however, laches as codified operates as a defense to both legal and equitable relief, patent law's statutory scheme--like the Lanham Act, *see Petrella*, 134 S. Ct. at 1974 n.15--does not implicate *Petrella*. In that case, § 282 obligates us to apply laches as a defense to legal relief, notwithstanding § 286's time limitation on the recovery of damages.

Turning to the content of the laches defense in § 282, the text of § 282 provides little guidance. Because § 282 does not enumerate specific defenses, the statutory text says nothing on the applicability of laches to legal relief. Similarly, the legislative history is silent on the meaning of laches, and Federico does no more than mention laches' codification in § 282.

In these circumstances, the Supreme Court counsels that "[w]hen a statute covers an issue previously governed by the common law, we must presume that Congress intended to retain the substance of the common law." *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363, 185 L. Ed. 2d 392 (2013) (internal quotation marks omitted).[4] This presumption applies where "Congress has failed expressly or impliedly to evince any intention on the issue." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 110, 111 S. Ct. 2166, 115 L. Ed. 2d 96 (1991); *see also Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783, 72 S. Ct. 1011, 96 L. Ed. 1294 (1952) ("Statutes which invade the

4. While the doctrine of laches in the patent context is not strictly a matter of common law, as the patent law is statutory, the Supreme Court has treated uniform interpretations of statutes involving judicially created doctrines as invoking common law adoption principles. In *United States v. Texas*, 507 U.S. 529, 533, 113 S. Ct. 1631, 123 L. Ed. 2d 245 (1993), the Supreme Court considered whether the statutory scheme there implicitly allowed for the federal government to recover prejudgment interest for money owed by state governments. The statute itself was silent on the issue, only expressly requiring individuals to pay prejudgment interest. The Court determined that there was a common law tradition of the federal government being able to recover prejudgment interest for money owed it by the states, and therefore that the statute implicitly allowed for the federal government to recover prejudgment interest against the states. Indeed, the Court rejected an argument that the presumption favoring the common law only applies "with respect to state common law or federal maritime law." *Id.* at 534. *See also* Singer, Norman & Singer, J.D., 2B *Statutes and Statutory Construction* § 50:1 (7th ed. 2007) ("All legislation is interpreted in light of the common law and the scheme of jurisprudence existing at the time of its enactment.").

common law . . . are to be read with a presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident."). "In order to abrogate a common-law principle, the statute must speak directly to the question addressed by the common law." *United States v. Texas*, 507 U.S. 529, 534, 113 S. Ct. 1631, 123 L. Ed. 2d 245 (1993) (internal quotation marks omitted).

This canon of construction is especially applicable here. Congress's purpose in enacting the Patent Act was to codify the prevailing law wholesale, except where changes were expressly noted. The House Report reveals that, while a preliminary draft of the Patent Act "included a collection of a large number of proposed changes in the law," "[a]s a result of the comments received, it was decided not to include most of the proposed changes in a bill but to defer them for later consideration, and to limit the bill to the main purpose of codification and enactment of title 35 into law, with only some minor procedural and other changes deemed substantially noncontroversial and desirable." H.R. Rep. No. 82-1923, at 3. Consequently, "the principal purpose of the bill [was] the codification of title 35 . . . ." *Id.* at 5; S. Rep. No. 82-1979 at 4, 1952 U.S.C.C.A.N. at 2397. While "there [were] a number of changes in substantive statutory law," "these [were] explained in some detail in the revision notes," and "[t]he major changes or innovations in the title consist of incorporating a requirement for invention in § 103 and the judicial doctrine of contributory infringement in § 271." H.R. Rep. No. 82-1923, at 5; S. Rep. No. 82-1979 at 4, 1952 U.S.C.C.A.N. at 2397. No changes to laches doctrine were

mentioned in the revision notes. Finally, "just before the bill was passed in the Senate, Senator Saltonstall asked on the floor, 'Does the bill change the law in any way or only codify the present patent laws?' Senator McCarran, Chairman of the Judiciary Committee which had been in charge of the bill for the Senate, replied, 'It codifies the present patent laws.'" *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 350 n.2, 81 S. Ct. 599, 5 L. Ed. 2d 592, 1961 Dec. Comm'r Pat. 635 (1961) (Black, J., concurring) (quoting 98 Cong. Rec. 9323 (July 4, 1952)); *see also Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 203, 100 S. Ct. 2601, 65 L. Ed. 2d 696 (1980) (quoting the same). Therefore, if anything, Congress intended to adopt the laches patent common law when it included laches in § 282.

As outlined above, Congress remained silent on the content of the laches defense.[5] Section 282 therefore retains the substance of the common law as it existed at the time Congress enacted the Patent Act. *See Astoria*, 501 U.S. at 109 ("[L]egislative repeals by implication will not be recognized . . . ."). *See generally Symbol*, 277 F.3d at 1366 ("There is nothing in the legislative history to suggest that Congress did not intend to carry forward the defense of prosecution laches . . ."); *Transco Prods. Inc. v. Performance Contracting, Inc.*, 38 F.3d 551, 557 (Fed. Cir. 1994) ("The legislative history of section 120 does not indicate any congressional intent to alter the Supreme Court's interpretation of continuing application

5. If we can infer anything from what Congress said, it is that Congress intended to "not materially chang[e] the substance" of the § 282 defenses. H.R. Rep. No. 82-1923, at 10.

practice."). Accordingly, we must review the case law prior to 1952 to determine whether courts applied laches to bar legal relief.

Some initial background information is necessary to place the case law in context. Traditionally, patentees could seek an injunction and an accounting of profits--both equitable remedies--by filing a bill in equity courts. Alternatively, patentees could seek compensatory damages by filing an action at law. In 1870, however, Congress gave equity courts the authority to award legal damages in patent cases. Patent Act of 1870, ch. 230, § 55, 16 Stat. 198, 206 (1870). Forty-five years later, in 1915, Congress passed a general statute (§ 274b) providing that "in all actions at law equitable defenses may be interposed by answer, plea, or replication without the necessity of filing a bill on the equity side of the court." Act of March 3, 1915, ch. 90, § 274b, 38 Stat. 956 (1915). Prior to this statute, parties wishing to raise equitable defenses in an action at law had to file a separate bill in equity seeking to enjoin the legal action. *See, e.g., Kessler v. Eldred*, 206 U.S. 285, 27 S. Ct. 611, 51 L. Ed. 1065, 1907 Dec. Comm'r Pat. 696 (1907). Section 274b did not change substantive law. *See Enelow v. N.Y. Life Ins. Co.*, 293 U.S. 379, 382, 55 S. Ct. 310, 79 L. Ed. 440 (1935), *overruled on other grounds by Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 108 S. Ct. 1133, 99 L. Ed. 2d 296 (1988). Rather, "[t]he net effect of [§§ 274a and 274b] was to allow transfer of action begun on either side of the court to the other side, without the necessity of commencing a new action, to permit determination of law questions arising in equity actions in those actions, and to allow equitable

defenses to be offered and equitable relief to be granted in an action at law." *City of Morgantown v. Royal Ins. Co.*, 337 U.S. 254, 256-57, 69 S. Ct. 1067, 93 L. Ed. 1347 (1949). Beginning in 1915, then, accused infringers were not procedurally foreclosed from pleading a laches defense in an action at law.

The merger of law and equity was completed with the advent of the Federal Rules of Civil Procedure in 1938. "[T]here has been, since 1938, only 'one form of action--the civil action.'"[6] *Petrella*, 134 S. Ct. at 1974 (quoting Fed. R. Civ. P. 2). Prior to 1938, where the requirements for equitable jurisdiction were satisfied, patentees often alleged patent infringement in a bill in equity, as equitable courts could provide the powerful remedies of an accounting of profits and an injunction, which were unavailable in actions at law, in addition to compensatory damages. After the Federal Rules of Civil Procedure were implemented, patentees no longer needed to choose.

Finally, in the Patent Act of 1946, Congress eliminated accounting of profits as a remedy for patent infringement (except for design patents). *See* Act of Aug. 1, 1946, Pub. L. No. 79-587, 60 Stat. 778; *see also Kori Corp. v. Wilco Marsh Buggies & Draglines, Inc.*, 761 F.2d 649, 654 (Fed. Cir. 1985) ("The 1946 amendment to the damages provisions effectively eliminated this double recovery."). "After the 1946 amendment . . . R.S. 4921 provided that 'the complainant shall be entitled to recover general

6. The christening of the Federal Rules of Civil Procedure did not alter any substantive law. *Petrella*, 134 S. Ct. at 1974.

damages which shall be due compensation for making, using, or selling the invention, not less than a reasonable royalty therefor . . . .'" *Kori*, 761 F.2d at 654 (quoting Act of Aug. 1, 1946, Pub. L. No. 79-587, 60 Stat. 778). The prior availability of an equitable accounting of profits in patent infringement cases is relevant because, in cases litigated between 1870 and 1946, the patentee often sought both compensatory damages and an accounting of profits. *Id.* Moreover, "[f]ollowing the 1870 Patent Act, courts regularly used the terms 'account' and 'accounting' to refer to the special master's determination of both an adjudged infringer's profits and a patentee's damages." *Robert Bosch, LLC v. Pylon Mfg. Corp.*, 719 F.3d 1305, 1310 (Fed. Cir. 2013). For this reason, it is in many cases difficult to determine whether a court applied laches to bar purely equitable relief, or whether, in using the term "accounting," a court also prohibited legal relief. That said, equity courts' grouping of legal and equitable relief under a single name--accounting--could explain a unique willingness in patent law to apply laches to bar a traditionally legal remedy.

With all of the foregoing in mind, we now turn to the pre-1952 case law on laches. Upon review, the case law demonstrates that, by 1952, courts consistently applied laches to preclude recovery of legal damages. Nearly every circuit recognized that laches could be a defense to legal relief prior to 1952. *See, e.g., Banker v. Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934); *Hartford-Empire Co. v. Swindell Bros.*, 96 F.2d 227 (4th Cir. 1938); *Ford v. Huff*, 296 F. 652 (5th Cir. 1924); *France Mfg. Co. v. Jefferson Elec. Co.*, 106 F.2d 605 (6th Cir. 1939); *Brennan v. Hawley Prods. Co.*,

182 F.2d 945 (7th Cir. 1950); *Middleton v. Wiley*, 195 F.2d 844 (8th Cir. 1952).[7] In fact, the only two pre-1952 circuit courts that considered SCA's argument--that laches operates as a defense to equitable relief only--expressly held that laches can also bar legal remedies. *See Ford*, 296 F. at 658; *Banker*, 69 F.2d at 666.

The *Ford* case was both early and influential. In *Ford*, the patentee, Huff, was employed by defendant Henry Ford as an electrical and mechanical engineer. *Ford*, 296 F. at 654. Huff and Ford agreed that Huff would invent a magneto for an automobile flywheel and assign the patent rights to Ford, and Ford would pay a reasonable royalty for the invention's use. *Id.* Huff subsequently invented the magneto and assigned the patent rights to Ford. *Id.* While Ford paid Huff $10,000 in installments upon Ford manufacturing the first 20,000 magnetos, Ford made no further royalty payments. *Id.*

Huff did not bring suit against Ford until fourteen years after the invention, ten years after he left the Ford Motor Company, and eight years after the patents issued. *Id.* at 655. The court found that Ford had established both laches and equitable estoppel--laches from the delay, and equitable estoppel from Huff's acceptance of Ford's $10,000 payment. *Id.* at 657. The court then considered whether the laches and equitable estoppel defenses could be brought in a suit at law. Citing § 274b and *Liberty Oil*

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7. Significantly, the cases cited as examples here do not include the numerous cases that apply laches to bar an "accounting." Because of the term's inherent ambiguity (described above in text), we do not rely on such cases.

Co. v. Condon National Bank, 260 U.S. 235, 43 S. Ct. 118, 67 L. Ed. 232 (1922), the Fifth Circuit stated that "a defendant in an action at law who files a plea setting up an equitable defense is given the same rights as if he had set them up in a bill in equity." *Id.* at 658. The court reasoned that "a bill in equity disclosing the state of facts alleged in the plea in question would show that defendant was entitled to prevent the enforcement of the claim asserted by this suit on the ground that plaintiff's conduct had been such as to deprive him of the right to enforce that claim." *Id.* Therefore, because the laches and equitable estoppel defenses could be pleaded in a bill in equity to enjoin the patentee's suit at law for patent infringement, § 274b allowed the defenses to be pleaded directly in the legal suit.[8]

The only other case to expressly consider the argument that laches cannot preclude legal relief is *Banker*. In *Banker*, which involved only laches and not equitable estoppel, the Third Circuit employed similar methodology to *Ford*. Specifically, *Banker* held that "[h]ad the appellant's suit been in equity, the evidence

8. Subsequently, the Supreme Court in *Enelow*--which held that § 274b changed no substantive law--cited *Ford* in the context of an injunction staying a legal action pending resolution of an equitable defense. *Enelow*, 293 U.S. at 383. Although unclear, *Enelow* arguably approved of *Ford*'s § 274b methodology. *Id.* (explaining that, under § 274b, "the court, exercising what is essentially an equitable jurisdiction, in effect grants or refuses an injunction restraining proceedings at law precisely as if the court had acted upon a bill of complaint in a separate suit for the same purpose").

would have been ample for holding that recovery was barred because of laches." *Banker*, 69 F.2d at 666. Nevertheless, "[t]he appellant admit[ted] the authority of the cited cases if applied in equity, but contend[ed] that they [were] inapplicable to actions at law." *Id.* The court quickly dispensed with that contention, however. Relying on *Ford*, *Banker* concluded that § 274b "authorizes equitable defenses in actions at law theretofore applicable only in equity." *Id.*

A plethora of other cases assumes laches to preclude legal relief without discussion. *See, e.g., Hartford-Empire Co. v. Swindell Bros.*, 96 F.2d 227 (4th Cir. 1938); *France Mfg. Co. v. Jefferson Elec. Co.*, 106 F.2d 605 (6th Cir. 1939); *Brennan v. Hawley Prods. Co.*, 182 F.2d 945 (7th Cir. 1950); *Universal Coin Lock Co. v. Am. Sanitary Lock Co.*, 104 F.2d 781 (7th Cir. 1939); *George J. Meyer Mfg. Co. v. Miller Mfg. Co.*, 24 F.2d 505 (7th Cir. 1928); *Wolf, Sayer & Heller v. U.S. Slicing Mach. Co.*, 261 F. 195, 1920 Dec. Comm'r Pat. 301 (7th Cir. 1919); *Middleton v. Wiley*, 195 F.2d 844 (8th Cir. 1952).[9] In addition, the Supreme Court in *Lane & Bodley Co. v. Locke* mentions monetary compensation, but does not state whether the recovery

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9. SCA and some amici contend that the *Middleton* case holds that laches cannot preclude legal relief. But *Middleton* merely states that the elements of laches were not proven in that case. As *Middleton* reasoned, delay, without prejudice, is insufficient. *Middleton*, 195 F.2d at 847. Moreover, the *Middleton* court ruled that application of laches would have been inequitable because the accused infringers "knowingly and deliberately were using for their own benefit the owner's patented equipment without authority, legal excuse or payment of royalty." *Id.*

was legal or equitable in nature. 150 U.S. 193, 194, 14 S. Ct. 78, 37 L. Ed. 1049 (1893) ("[T]he circuit court found in favor of the complainant, and, after reference to and report by a master, rendered a final decree against the defendant for the sum of $3,667.37, with interest and costs."). Countless other cases refer to an accounting, and thus remain ambiguous as to whether they barred legal relief. *See, e.g., Union Shipbuilding Co. v. Bos. Iron & Metal Co.*, 93 F.2d 781 (4th Cir. 1938); *Gillons v. Shell Co. of Cal.*, 86 F.2d 600 (9th Cir. 1936); *Window Glass Mach. Co. v. Pittsburgh Plate Glass Co.*, 284 F. 645, 647 (3d Cir. 1922); *A.R. Mosler & Co. v. Lurie*, 209 F. 364 (2d Cir. 1913). Significantly, neither SCA, nor the amici, nor the dissent, can identify a single appellate-level patent infringement case stating--much less holding--that laches is inapplicable to legal damages.

Finally, the Walker patent treatise supports the conclusion that laches can preclude legal remedies. The 1937 version of the Walker treatise was published before many of the cases discussed above. 4 *Walker, on Patents* (Deller's ed. 1937). Nonetheless, although it does not list laches among the defenses in actions at law, *see id.* §§ 656, 687-88, Walker elsewhere explains that "[w]here a plaintiff is chargeable with laches, he cannot recover the damages he has suffered nor the profits defendant has gained." *Id.* § 880B (citing *George Meyer*, 24 F.2d 505). Moreover, Walker's 1951 Supplement states that "[l]aches and estoppel are equitable defenses, and may be interposed in an action at law." 4 *Walker, on Patents* at 106 (Supp. 1951) (addressing § 575) (citing *Mather v. Ford Motor Co.*, 40 F. Supp. 589 (E.D. Mich. 1941)).

In sum, the case law strongly supports the availability of laches to bar legal relief. Section 282 codified whatever laches doctrine existed when Congress enacted the Patent Act in 1952. Although the development occurred over time, by 1952 nearly every circuit had approved of the proposition that laches could bar legal relief for patent infringement, and no court had held to the contrary. The Walker treatise--in 1937 and then more authoritatively in 1951--agreed that laches precludes recovery of legal damages. The laches doctrine codified in § 282 must have meaning, and, absent any direction from Congress, it takes on its common law meaning. Following a review of the relevant common law, that meaning is clear: in 1952, laches operated as a defense to legal relief. Therefore, in § 282, Congress codified a laches defense that barred recovery of legal remedies.

The dissent suggests that this significant court of appeals authority allowing a laches defense to patent damages actions should not be deemed incorporated into the 1952 Act because "[a]ny analysis of what the common law was at a certain point in time must start with Supreme Court precedent" which established a "general principle" that laches does not bar a claim for legal relief. Dissent at 10, 12. The dissent also suggests that circuit authority allowing the laches defense in equity actions is not pertinent to congressional intent. *Id.* at 13. The dissent is incorrect on both counts. In contrast to other areas, in patent law before 1952 there was no sharp distinction between legal and equitable actions for damages or in the defenses that were available. *See supra* pp. 23-25. Patent damages actions were unlike typical damages

actions in that the 1870 statute allowed the recovery of damages in either an action at law or in equity, *see* 16 Stat. 206 (1870), and the 1897 statute of limitations applied to both legal and equitable actions, *see* 29 Stat. 694 (1897), as did the laches defense. Furthermore, the Chairman of the Judiciary Committee clarified on the Senate floor just before the Patent Act was passed that the 1952 Act "codifie[d] the present *patent* laws.'" 98 Cong. Rec. 9323 (emphasis added); *see also supra* pp. 21-22. If Congress looked to the common law, it likely looked to the common law of patents[10] rather than to more general principles.

E

The fact that § 286 speaks to the timeliness of damages claims does not alter the outcome. *Petrella* fundamentally concerns separation of powers. That is, *Petrella* eliminates

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10. The two patent cases cited by the dissent--both trial court cases from a single jurisdiction--are unhelpful. In the first, *City of Concord v. Norton*, 16 F. 477 (C.C.D. Mass. 1883), after noting that the equitable defense of estoppel was available at law and at equity, the court found that equitable estoppel was not established. *Id.* at 479. The court then stated that if laches had been alleged, it would not have been available because "for laches the remedy at law is found in the statute of limitations." *Id.* at 480. It is difficult to know what was meant by this dictum because at this time no statute of limitations existed in patent law. The second, *Thorpe v. Wm. Filene's Sons Co.*, 40 F.2d 269, 270 (D. Mass. 1930), simply did not address whether patent law was different from other areas. Moreover, because a plethora of court of appeals-level case law concludes that laches may bar legal relief, we need not list the many district court cases, such as *Mather*, 40 F. Supp. at 591-92, that accord with our reasoning.

copyright's judicially-created laches defense because Congress, through a statute of limitations, has already spoken on the timeliness of copyright infringement claims, so there is no room for a judicially-created timeliness doctrine. *See Petrella*, 134 S. Ct. at 1974 (describing laches as "gap-filling, not legislation-overriding"). The statutory scheme in patent law, however, is different. While Congress has spoken on the timeliness of patent damages claims, Congress also codified a laches defense in § 282. Thus, because § 286 provides for a time limitation on the recovery of legal remedies, and § 282 provides for laches as a defense to legal relief, the separation of powers concern is not present. *See id.* at 1974 n.15 (noting that laches is preserved in trademark law because the Lanham Act "expressly provides for defensive use of 'equitable principles, including laches'"). Laches therefore remains a viable defense to legal relief in patent law.

Despite whatever tension may exist between the § 286 damages limitation and the § 282 laches defense, "we have no authority to substitute our views for those expressed by Congress in a duly enacted statute." *Mobil Oil Corp. v. Higginbotham*, 436 U.S. 618, 626, 98 S. Ct. 2010, 56 L. Ed. 2d 581 (1978). If, in light of this issue's newfound salience, Congress decides that the § 286 damages limitation and the § 282 laches defense are incompatible, it can change the law. As a court, however, we must apply the law as enacted, which means that the § 286 damages limitation and the § 282 laches defense must continue to coexist.

F

Finally, one major difference between copyright and patent law bears mention: copyright infringement requires evidence of copying, but innocence is no defense to patent infringement. *Compare N. Coast Indus. v. Jason Maxwell, Inc.*, 972 F.2d 1031, 1033 (9th Cir. 1992) ("If the plaintiff copyright holder survives the first step, i.e., it establishes that it owns a valid copyright, then the plaintiff must establish infringement by showing both access to its copyrighted material on the part of the alleged infringer and substantial similarity between the copyrighted work and the alleged infringing work."), *and Eden Toys, Inc. v. Marshall Field & Co.*, 675 F.2d 498, 501 (2d Cir. 1982) ("Evidence of independent creation may be introduced by a defendant to rebut a plaintiff's prima facie case of infringement."), *with Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1926, 191 L. Ed. 2d 883 (2015) ("Direct infringement is a strict-liability offense."). Because copyright infringement requires proof of access, a potential defendant is typically aware of a risk that it is infringing and can estimate its exposure when making its initial investment decision. *See* Dell Br. 26-27; Roche Br. 19-21. The potential defendant can also accumulate evidence of independent creation to protect its investment. Thus, in *Petrella*--as in a typical copyright suit--"[a]llowing Petrella's suit to go forward will put at risk only a fraction of the income MGM has earned during that period and will work no unjust hardship on innocent third parties . . . ." *Petrella*, 134 S. Ct. at 1978.

In patent law, however, the calculus is different. For example, in the medical device industry, a company may independently develop an invention and spend enormous sums of money to usher the resultant product through regulatory approval and marketing, only to have a patentee emerge six years later to seek the most profitable six years of revenues. *See* Roche Br. 19-23; IPO Br. 19. In the high tech industry, amici advise that businesses receive demand letters every day--many of which assert unmeritorious claims--and it is often impractical for companies to determine which claims have merit. *See* Dell Br. 23-27. Independent invention is no defense in patent law, so without laches, innovators have no safeguard against tardy claims demanding a portion of their commercial success. Consequently, "there is a recurring risk that a stale patent claim will inflict significant hardship on a defendant who has lost the meaningful ability to choose between alternative technologies and whose investment in research, development, and further innovation may be jeopardized." Dell Br. 27. This risk likely explains why the amici in this case--encompassing industries as diverse as biotechnology, electronics, manufacturing, pharmaceuticals, software, agriculture, apparel, health care, telecommunications, and finance--overwhelmingly support retaining laches in patent law.[11]

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11. *See, e.g.*, Brief of Amicus Curiae Roche Molecular Systems, Inc. in Support of Defendants-Appellees; Brief of Dell Inc. et al. as Amicus Curiae in Support of Defendants-Appellees; Brief of Intellectual Property Owners Ass'n as Amicus Curiae in Support of Defendants-Appellees; Corrected Brief of Amici Curiae Briggs & Stanton Corp., Harley-Davidson Motor Co., Inc., Jockey Int'l, Inc., Rockwell Automation, Inc. and Wisconsin Mfrs.

III. LACHES' APPLICATION TO ONGOING RELIEF

The second question for en banc review concerns the extent to which laches can limit recovery of ongoing relief. *Aukerman* held that laches could not bar prospective relief. *Aukerman*, 960 F.2d at 1041. Reexamination of that rule is necessary in light of *Petrella* and the Supreme Court's decision in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 126 S. Ct. 1837, 164 L. Ed. 2d 641 (2006). There are two parts to this inquiry: whether laches can bar permanent injunctive relief and whether it can bar an ongoing royalty for continuing infringing acts.

When a court orders ongoing relief, the court acts within its equitable discretion. *See eBay*, 547 U.S. at 391-92; *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1316 (Fed. Cir. 2007). As *eBay* instructs, equitable "discretion must be exercised consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards." *eBay*, 547 U.S. at 394. With respect to injunctions, this means following *eBay*'s familiar four-factor test:

& Commerce in Support of Defendants-Appellees; Brief of Amicus Curiae Hydro Engineering, Inc. on Rehearing En Banc in Support of Defendants-Appellees; Brief of Amici Curiae AT&T Mobility II LLC and T-Mobile USA, Inc. in Support of Defendants-Appellees; Brief of Amici Curiae Johnson & Johnson and Cordis Corp. in Support of Defendants-Appellees; Brief of Amici Curiae Garmin Int'l, Inc. et al. on Rehearing En Banc Supporting Defendants-Appellees.

> A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

Id. at 391.

Consideration of laches fits naturally into this framework. As noted in *Petrella*, "the District Court, in determining appropriate injunctive relief . . . may take account of [the plaintiff's] delay in commencing suit." *Petrella*, 134 S. Ct. at 1978; *see also Menendez*, 128 U.S. at 523 ("Mere delay or acquiescence cannot defeat the remedy by injunction in support of the legal right, unless it has been continued so long, and under such circumstances, as to defeat the right itself."). Many of the facts relevant to laches, such as the accused infringer's reliance on the patentee's delay, fall under the balance of the hardships factor. *Id.* Unreasonable delay in bringing suit may also be relevant to a patentee's claim that continued infringement will cause it irreparable injury. More than anything, district courts should consider all material facts, including those giving rise to laches, in exercising its discretion under *eBay* to grant or deny an injunction. *See eBay*, 547 U.S. at 394.

The *Aukerman* court, relying on *Menendez*, based its conclusion that laches may only bar pre-suit damages on the necessity of maintaining a distinction between laches and equitable estoppel. *Aukerman*, 960 F.2d at 1040-41. But *Menendez* does not create a bright-line rule favoring injunctions. In fact, *Menendez* repeatedly allows for the possibility that laches could foreclose injunctive relief. For example, an injunction may be inequitable when the delay "has been continued so long, and under such circumstances, as to defeat the right itself." *Menendez*, 128 U.S. at 523; *see also id.* at 524 ("[S]o far as the act is in progress, and lies in the future, the right to the intervention of equity is not *generally* lost by previous delay, in respect to which the elements of an estoppel could rarely arise.") (emphasis added); *id.* at 524-25 ("Delay in bring suit there was, and such delay as to preclude recovery of damages for prior infringement; *but there was neither conduct nor negligence which could be held to destroy the right to prevention of further injury.*") (emphasis added).[12] Likewise, *eBay* clarifies that a patentee is not automatically entitled to an injunction--the patentee must prove that the equities favor an injunction. *eBay*, 547 U.S. at 392 ("[I]njunctive relief may issue only in accordance with the principles of equity.") (internal quotation marks omitted). Laches, an equitable defense, belongs in that calculus. We, accordingly, reject *Aukerman's* bright line rule regarding the interplay between laches and injunctive relief.

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12. While these passages contemplate that estoppel will be the primary situation where delay can bar an injunction, they also allow for the possibility that the facts surrounding delay can be so extreme--without establishing estoppel--as to preclude an injunction.

With respect to ongoing royalties, while the principles of equity apply, equity normally dictates that courts award ongoing royalties, despite laches. *Menendez*, an influential case contrasting laches and equitable estoppel in the trademark context, guides us here. According to *Menendez*, delay in exercising a patent right, without more, does not mean that the patentee has abandoned its right to its invention. Rather, the patentee has abandoned its right to collect damages during the delay. Equitable estoppel, on the other hand, is different--the patentee has granted a license to use the invention that extends throughout the life of the patent:

> Acquiescence, to avail, must be such as to create a new right in the defendant. . . . But there is nothing here in the nature of an estoppel; nothing which renders it inequitable to arrest at this stage any further invasion of complainants' rights. There is no pretense of abandonment. That would require proof of non-user by the owner, or general surrender of the use to the public. . . . Delay in bringing suit there was, and such delay as to preclude recovery of damages for prior infringement; but there was neither conduct nor negligence which could be held to destroy the right to prevention of further injury.

Menendez, 128 U.S. at 524-25.

Petrella also briefly considered the propriety of ongoing royalties. Although *Petrella* did not supply its reasoning, it found that, "on the facts thus far presented,

there [was] no evident basis for immunizing MGM's present and future uses of the copyrighted work, free from any obligation to pay royalties." *Petrella*, 134 S. Ct. at 1979. As did *Aukerman*, moreover, *Menendez* and *Petrella* caution against erasing the distinction between laches and estoppel. As *Petrella* stated, "the doctrine of estoppel may bar the copyright owner's claims completely, eliminating all potential remedies. The test for estoppel is more exacting than the test for laches, and the two defenses are differently oriented. The gravamen of estoppel . . . is misleading and consequent loss. Delay may be involved, but is not an element of the defense. For laches, timeliness is the essential element." *Petrella*, 134 S. Ct. at 1977 (citations omitted). For that reason, absent egregious circumstances, when injunctive relief is inappropriate, the patentee remains entitled to an ongoing royalty.

In sum, we must recognize "the distinction between . . . estoppel and laches . . . ." *Id.* (first alteration in original). Whereas estoppel bars the entire suit, laches does not. As outlined above, laches in combination with the *eBay* factors may in some circumstances counsel against an injunction. However, a patentee guilty of laches typically does not surrender its right to an ongoing royalty. *Menendez*, 128 U.S. at 523-25. Paramount in both these inquiries are the flexible rules of equity and, as a corollary, district court discretion. "[A] major departure from the long tradition of equity practice should not be lightly implied." *eBay*, 547 U.S. at 391 (quoting *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320, 102 S. Ct. 1798, 72 L. Ed. 2d 91 (1982)).

V. CONCLUSION

For the foregoing reasons, laches remains a defense to legal relief in a patent infringement suit after *Petrella*. Laches bars legal relief, and courts must weigh the facts underlying laches in the *eBay* framework when considering an injunction. However, absent extraordinary circumstances, laches does not preclude an ongoing royalty.

Finally, we reinstate the panel opinion's reversal of the district court's grant of summary judgment on equitable estoppel and adopt its reasoning. We thus remand to the district court for proceedings consistent with this opinion.

REVERSED AND REMANDED

Appendix A

Opinion for the court filed by Chief Judge PROST in which Circuit Judges NEWMAN, LOURIE, DYK, O'MALLEY, and REYNA join.

Opinion concurring-in-part, dissenting-in-part filed by Circuit Judge HUGHES in which Circuit Judges MOORE, WALLACH, TARANTO, and CHEN join.

HUGHES, *Circuit Judge*, concurring-in-part, dissenting-inpart, with whom MOORE, WALLACH, TARANTO, and CHEN, *Circuit Judges*, join.

Patent law is governed by the same common-law principles, methods of statutory interpretation, and procedural rules as other areas of civil litigation. Today, the majority adopts a patent-specific approach to the equitable doctrine of laches. In doing so, the majority overlooks Congress' intent and Supreme Court precedent, which demonstrate that laches is no defense to a claim for damages filed within the statutory limitations period established by 35 U.S.C. § 286.

In *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1974, 188 L. Ed. 2d 979 (2014), the Supreme Court emphasized that it had never approved the use of laches to bar a claim for legal damages brought within a statutory limitations period. The majority reasons that *Petrella* is not controlling here because Congress specifically incorporated laches as a defense to legal damages into the Patent Act of 1952. But the majority has no sound basis for finding that Congress intended to displace the uniform limitations period in § 286 with the case-specific doctrine

of laches. The majority's key logic--that Congress adopted the view of some lower courts that laches could bar legal relief in patent cases--requires us to presume that Congress ignored the Supreme Court. For in 1952, the Supreme Court had already recognized the common-law principle that laches cannot bar a claim for legal damages. I know of no precedent for inferring a congressional departure from a common-law principle recognized by the highest court based solely on aberrational lower-court decisions.

The Supreme Court has repeatedly cautioned this court not to create special rules for patent cases. In light of the Supreme Court's clear, consistent, and longstanding position on the unavailability of laches to bar damages claims filed within a statutory limitations period, we should not do so here. I respectfully dissent-in-part.[1]

I

The Supreme Court in *Petrella* held that when Congress enacts a statutory limitations period, courts cannot invoke the equitable doctrine of laches to bar claims for legal relief filed within that period. 134 S. Ct. at 1967. The Supreme Court reasoned that a statutory limitations period expresses Congress' judgment on the timeliness of a claim. *Id.* Because the statutory limitations period "itself takes account of delay," courts cannot further regulate the timeliness of a claim using the doctrine of laches. *Id.* at

1. I agree with the majority that laches is available to bar equitable relief. I therefore join Part III of the majority opinion.

1973. The Supreme Court found that the conflict between these two delay-based limitations creates a separation of powers problem, and concluded that "courts are not at liberty to jettison Congress' judgment on the timeliness of suit." *Id.* at 1967.

The Supreme Court further explained that "laches is a defense developed by courts of equity; its principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Id.* at 1973 (citing 1 D. Dobbs, Law of Remedies § 2.4(4), p. 104 (2d ed. 1993)). This principle has a strong historical pedigree: "[b]oth before and after the merger of law and equity in 1938, [the Supreme Court] has cautioned against invoking laches to bar legal relief." *Id.* at 1973. The Supreme Court cited several of its decisions as proof, including two cases decided prior to 1952. *See id.* (citing *Holmberg v. Armbrecht*, 327 U.S. 392, 395, 396, 66 S. Ct. 582, 90 L. Ed. 743 (1946); *United States v. Mack*, 295 U.S. 480, 489, 55 S. Ct. 813, 79 L. Ed. 1559 (1935)). Although some regional-circuit cases have departed from this principle, the Supreme Court found "no case in which [the Supreme Court] has approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." *Id.* at 1974.

Like the statute of limitations considered in *Petrella*, the statutory limitations period in § 286 of the Patent Act expresses Congress' judgment on the timeliness of claims for damages. *See* 35 U.S.C. § 286. Section 286 prohibits recovery of damages when a claim is filed more than six years after the associated patent infringement occurs,

but allows recovery of damages when a claim is filed within that six-year window. *Cf. Petrella*, 134 S. Ct. at 1973 (observing that under the Copyright Act's statute of limitations, "a successful plaintiff can gain retrospective relief only three years back from the time of suit"). I agree with the majority that, with respect to claims for damages and the conflict with laches, there is no functional difference between § 286 and a statute of limitations. *See* Maj. Op. at 17-18. The Supreme Court's decision in *Petrella*, therefore, strongly suggests that laches is not available to further regulate the timeliness of damages claims in patent-infringement cases.

To overcome this conclusion, we would have to find compelling evidence that Congress incorporated laches into the Patent Act as an additional time-bar on claims for legal damages. The Supreme Court has required clear evidence to justify inferring a congressional departure from traditional common-law principles, such as the principle recognized in *Petrella* that laches does not apply to claims for legal relief. *See, e.g., Nken v. Holder*, 556 U.S. 418, 433, 129 S. Ct. 1749, 173 L. Ed. 2d 550 (2009) (applying the "presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident"); *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320, 102 S. Ct. 1798, 72 L. Ed. 2d 91 (1982) ("[A] major departure from the long tradition of equity practice should not be lightly implied."). Additionally, the Supreme Court has made abundantly clear that there must be a particular justification in the statute before this court may announce special rules for patent cases that depart from the rules for other areas

of civil litigation. *See, e.g., Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 836-40, 190 L. Ed. 2d 719 (2015); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758, 188 L. Ed. 2d 816 (2014); *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391, 126 S. Ct. 1837, 164 L. Ed. 2d 641 (2006).

II

The majority brushes aside the teachings of *Petrella* and finds based on vague legislative history and muddled case law that Congress intended to depart from the common-law principle that laches only bars equitable relief where a statutory limitations period applies. *See* Maj. Op. at 18-35. Two flaws pervade the majority's analysis. First, the majority interprets 35 U.S.C. § 282 in isolation, without regard to Congress' intent expressed in § 286. Second, in addition to misreading the pre-1952 cases it cites, the majority limits the scope of its review to favorable patent cases. The majority ignores Supreme Court precedent and other federal court decisions holding that laches does not bar claims for legal relief filed within a statutory limitations period. Properly analyzed, we cannot reasonably infer from the Patent Act that Congress intended to depart from this common-law principle.

A

The majority finds that Congress incorporated laches into § 282 because Congress chose to use broad language in that section; and because an executive-branch official said so. *See* Maj. Op. at 18-22. Although the majority

does not identify which particular term encompasses a defense of laches, the only possible candidates are "[n]on-infringement, absence of liability for infringement or unenforceability." 35 U.S.C. § 282(b)(1). The remaining subsections refer specifically to other provisions of the Patent Act, none of which allude to laches. *See id.* at (b)(2)--(4). First Quality and several amici argue that laches falls within the term "unenforceability" in particular.

The language in § 282(b)(1) is ambiguous at best, and contains no hint of a special version of laches that applies to legal relief within a statutory limitations period. The terms "absence of liability" and "unenforceability" do not precisely refer to any particular defenses to patent-infringement suits. Although the plain meaning of these terms does not conclusively rule out the defense of laches, it does not necessarily include a defense of laches either. The majority seems to think that the indeterminate breadth of these terms helps its case, making it more likely that laches falls somewhere within their scope, whatever that may be. *See* Maj. Op. at 18-20. But statutory interpretation cannot turn on this kind of guesswork. And even if laches were implicit in § 282, that would not be enough, for the question is whether Congress prescribed a variant form of laches in the Patent Act that applies to claims for legal relief.

The majority disregards an important tool of statutory interpretation that shows Congress did not adopt such a defense. It is a "fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall

statutory scheme." *King v. Burwell*, 135 S. Ct. 2480, 2492, 192 L. Ed. 2d 483 (2015) (quoting *Utility Air Regulatory Grp. v. Envtl. Prot. Agency*, 134 S. Ct. 2427, 2441, 189 L. Ed. 2d 372 (2014)) (internal quotation marks omitted); *see also La. Pub. Serv. Comm'n v. Fed. Commc'n Comm'n*, 476 U.S. 355, 370, 106 S. Ct. 1890, 90 L. Ed. 2d 369 (1986) (noting the "familiar rule of construction that, where possible, provisions of a statute should be read so as not to create a conflict"). Here, the statutory limitations period in § 286 informs the scope of § 282. Section 286 expresses Congress' judgment on the timeliness of damages claims: a patent owner may recover damages when a claim is filed within six years of infringement, but no later. If § 282 includes a defense of laches that applies to claims for damages, it would conflict with this judgment. Laches could bar a patent owner from recovering damages even though its claim was filed within the clearly defined six-year period established by § 286. The extent of this conflict is highlighted by the Supreme Court's reasoning in *Petrella*. Notwithstanding the additional elements of laches beyond mere delay, the Supreme Court held that laches and the statute of limitations were in such conflict that applying laches created a separation of powers problem. *See Petrella*, 134 S. Ct. at 1967, 1973. Congress' decision to create a fixed statutory limitations period in § 286 therefore strongly suggests that it did not intend to codify a defense of laches that further regulates the timeliness of damages claims.

The legislative history of § 286 further proves the point. Between 1874 and 1897, the federal patent statute did not contain a limitations period of any kind. *See Campbell v. Haverhill*, 155 U.S. 610, 613-14, 15 S. Ct. 217, 39 L. Ed. 280, 1895 Dec. Comm'r Pat. 130 (1895). Federal courts therefore relied on analogous state statutes of limitations to determine the timeliness of claims. *See id.* at 618, 620. Congress found this approach problematic, and in 1897 enacted the predecessor to § 286 to "create a uniform statute of limitations." H.R. Rep. No. 54-940, at 2 (1896); *see* Rev. Stat. § 4921 (1897).[2] If we read § 282 to incorporate the flexible, case-specific doctrine of laches as to legal damages, that section would "tug against the uniformity Congress sought to achieve." *Petrella*, 134 S. Ct. at 1975 (noting a similar conflict with the statute of limitations in the Copyright Act). Thus, to be consistent with the purpose of § 286, we cannot interpret § 282 to incorporate a defense of laches that bars legal relief otherwise permitted under § 286.

The House and Senate Reports from 1952 also contradict the majority's interpretation. Both sources explain that § 282 restates statutory defenses "in general

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2. Section 286 and its predecessor contain virtually identical language. *Compare* 35 U.S.C. § 286 ("[N]o recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action."), *with* Rev. Stat. § 4921 (1897) ("But in any suit or action brought for the infringement of any patent there shall be no recovery of profits or damages for any infringement committed more than six years before the filing of the bill of complaint or the issuing of the writ in such suit or action . ").

terms, changing the language in the present statute, but not materially changing the substance." H.R. Rep. 82-1923 at 10 (1952); S. Rep. 82-1979 at 9 (1952). This declaration shows that Congress intended to preserve what the language of the pre-1952 statutes fairly conveys. And nothing in the pre-1952 statutes suggests an authorization of laches as a bar to legal damages requested within a limitations period. The pre-1952 provision enumerating defenses applicable to an infringement suit, whether for legal or equitable relief, does not refer directly or indirectly to laches. *See* 35 U.S.C. § 69 (1946) (codifying Rev. Stat. § 4920 as amended). The provision authorizing remedies refers to "the course and principles of courts of equity" (which includes laches) in the portion addressing injunctions, but does not mention equitable defenses in the portion addressing damages. 35 U.S.C. § 70 (1946) (codifying Rev. Stat. § 4921 as amended). In the absence of any prior statutory authorization of laches as a bar to legal damages, the majority relies on pre-1952 "common law." But nothing in the legislative history reflects congressional recognition of any pre-1952 case law on the subject of laches, let alone approval of such case law as went beyond what the pre-1952 statutes authorized on their face. The key 1952 legislative history on § 282 thus runs counter to the majority's conclusion that Congress intended this section to incorporate laches as defense to legal damages.

The majority's only evidence that Congress intended to incorporate a defense of laches at all in § 282 is a lone statement in P.J. Federico's *Commentary on the New Patent Act*. But Mr. Federico's reference to "laches" does

not suggest that Congress incorporated a distinctive version of laches that, contrary to its traditional role at common law, bars a claim for legal damages filed within a statutory limitations period. This statement therefore cannot support the majority's conclusion. Indeed, the only interpretation of this statement that is consistent with § 286 is that Mr. Federico was referring to laches as a defense to equitable relief only. And in any event, an inference that Congress departed from a common-law principle could not properly rest entirely on a statement made two years after the enactment of the Patent Act by one person who, though central to its drafting, was not a member of Congress voting on the measure.[3]

In *Petrella*, the Supreme Court was presented with a similarly vague reference to "laches" in Federal Rule of Civil Procedure 8(c), which lists the affirmative defenses available in a civil action. *See* 134 S. Ct. at 1974-75. In light of the statute of limitations and the traditional role of laches, however, the Supreme Court found that this reference does not establish laches as a defense to damages claims. *Id.* So too here. Mr. Federico's lone post-hoc reference to laches is entirely insufficient as a matter of statutory construction to conclude that Congress

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3. The Supreme Court has found that a post-hoc statement, even from members of Congress, "does not qualify as legislative 'history,' . . . [and] is consequently of scant or no value" for statutory interpretation. *Graham Cty. Soil & Water Conservation Dist. v. U.S. ex. rel. Wilson*, 559 U.S. 280, 298, 130 S. Ct. 1396, 176 L. Ed. 2d 225 (2010) (discrediting a letter from the primary sponsors of the bill in Congress); *see also Consumer Prod. Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 117-18, 120, 100 S. Ct. 2051, 64 L. Ed. 2d 766 (1980).

intended to incorporate laches as a defense to claims for legal damages, particularly in light of the contrary and clear language of § 286.

B

To find that Congress intended to codify laches as a defense to claims for legal damages, the majority relies on the canon of statutory interpretation that "[w]hen a statute covers an issue previously governed by the common law, we must presume that Congress intended to retain the substance of the common law." *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363, 185 L. Ed. 2d 392 (2013) (internal quotation marks omitted). But the presumption that Congress intended to retain an aspect of the common law only applies where the common-law principle is sufficiently "well established." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108, 111 S. Ct. 2166, 115 L. Ed. 2d 96 (1991); *see also Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783, 72 S. Ct. 1011, 96 L. Ed. 1294 (1952) (explaining that Congress is presumed to retain "long-established and familiar" common-law principles). If the case law on a particular issue is conflicting, we cannot infer from Congress' silence which approach Congress intended to adopt. *Cf. Metro. Stevedore Co. v. Rambo*, 515 U.S. 291, 299, 115 S. Ct. 2144, 132 L. Ed. 2d 226 (1995) (declining to infer ratification of judicial interpretation of a statute when these interpretations were largely dicta and "were not uniform in their approach"). Here, contrary to the majority's narrow analysis of regional-circuit cases, the pre-1952 case law did not clearly establish that a plaintiff's laches may preclude recovery of legal damages.

Appendix A

1

Any analysis of what the common law was at a certain point in time must start with Supreme Court precedent. *See, e.g., Astoria*, 501 U.S. at 107-08 (relying on Supreme Court precedent for common-law rules of collateral estoppel and res judicata). For even if there were differing views in the lower courts, it would be nearly impossible to conclude that there was a uniform understanding of the common law that was inconsistent with Supreme Court precedent. In our judicial system, the Supreme Court's understanding is controlling.

Prior to 1952, the Supreme Court decided several cases holding that laches cannot bar a claim for legal relief filed within a statutory limitations period. *See Holmberg*, 327 U.S. at 395 ("If Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter. The Congressional statute of limitation is definitive."); *Mack*, 295 U.S. at 489 ("Laches within the term of the statute of limitations is no defense at law."); *Cross v. Allen*, 141 U.S. 528, 537, 12 S. Ct. 67, 35 L. Ed. 843 (1891) ("So long as the demands secured were not barred by the statute of limitations, there could be no laches in prosecuting a suit upon the mortgages to enforce those demands."). Further, the Supreme Court made clear that laches is unavailable not only in an action at law, but also in a suit in equity to enjoin an action at law. *See Wehrman v. Conklin*, 155 U.S. 314, 326-27, 15 S. Ct. 129, 39 L. Ed. 167 (1894). The Supreme Court explained that a court of equity may enjoin an action at law only if the plaintiff's delay is accompanied by further conduct that meets the requirements for equitable estoppel:

> Though a good defense in equity, laches is no defense at law. If the plaintiff at law has brought his action within the period fixed by the statute of limitations, no court can deprive him of his right to proceed. If the statute limits him to 20 years, and he brings his action after the lapse of 19 years and 11 months, he is as much entitled, as [a] matter of law, to maintain it, as though he had brought it the day after his cause of action accrued, though such delay may properly be considered by the jury in connection with other facts tending to show an estoppel.

Id.; *see also* McClintock on Equity § 28, p. 75 (2d ed. 1948) ("The majority of the courts which have considered the question have refused to enjoin an action at law on the ground of the laches of the plaintiff at law."). In sum, as noted in *Petrella*, the Supreme Court has never "approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." 134 S. Ct. at 1974.[4]

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4. The majority implies that the Supreme Court's decision in *Lane & Bodley Co. v. Locke*, 150 U.S. 193, 14 S. Ct. 78, 37 L. Ed. 1049 (1893), is to the contrary. *See* Maj. Op. at 31. In that case, the Supreme Court found that laches barred a claim brought in equity. *Lane & Bodley*, 150 U.S. at 201. As the majority notes, the Supreme Court does not say whether the monetary relief barred by laches was legal or equitable in nature. And the Supreme Court decided *Lane & Bodley* before the statutory limitations period for damages claims was enacted. It therefore does not say anything about whether laches may bar a claim for legal damages governed by a statute of limitations.

Moreover, several lower courts before 1952 likewise applied this general principle in patent-infringement cases to conclude that laches does not bar a claim for legal relief. In *City of Concord v. Norton*, 16 F. 477, 477 (C.C.D. Mass. 1883), the plaintiffs filed a bill in equity to enjoin the defendant's action at law based on laches. The court held that although equitable estoppel is available to bar a claim for legal relief, laches is not. *Id.* at 480. "[F]or laches the remedy at law is found in the statute of limitations, and if that statute is inadequate there is no other remedy." *Id.* Similarly, in *Thorpe v. Wm. Filene's Sons Company*, 40 F.2d 269, 269 (D. Mass 1930), the court recognized that laches "has no application to actions at law. A plaintiff's conduct may, however, have been of such character as . . . to make it unconscionable for him to maintain it. This is estoppel and is recognized in equity as sufficient ground for enjoining an action at law."

These decisions alone defeat the conclusion that "courts consistently applied laches to preclude recovery of legal damages" prior to 1952. Maj. Op. at 28. To say that a rule was "well established" when the Supreme Court clearly and repeatedly held otherwise is to give insufficient recognition to the hierarchy of federal courts. Further, laches is a general equitable defense, not a defense specific to patent infringement. For the purposes of a common-law incorporation theory, therefore, the role of laches in other areas of civil litigation is of a piece with the role of laches in patent cases.[5] We cannot assume that Congress would

5. The majority argues that a Senate floor statement claiming that the Patent Act "codifie[d] the present patent laws," 98 Cong. Rec. 9323, justifies its narrow focus on the role of laches

have ignored Supreme Court precedent on the issue and focused solely on regional-circuit decisions in patent cases.

2

Even if we could focus solely on regional-circuit law, the cases cited by the majority do not themselves show that there was a uniformly well-established rule that laches is available to bar legal damages otherwise permitted by § 286. Nearly all of these decisions either apply laches under a misinterpretation § 274(b) of the Judicial Code, mention laches in dicta, or apply laches to bar a claim brought in equity. The discussion of laches in these cases does not clearly demonstrate that in 1952 laches was available to bar a claim for legal damages in a civil action.

The majority primarily relies on two cases that address the availability of equitable relief under § 274(b) of the Judicial Code. *See Ford v. Huff*, 296 F. 652 (5th Cir. 1924); *Banker v. Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934). Section 274(b) stated that "in all actions at law equitable defenses may be interposed by answer, plea, or replication without the necessity of filing a bill on the equity side of the court." Act of March 3, 1915, ch. 90, § 274(b), 38 Stat. 956

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in patent cases only. *See* Maj. Op. at 33. But unlike the doctrine of contributory infringement, a judicial doctrine expressly incorporated into the Patent Act of 1952, laches is not a patent law specific to patent cases. It is a general equitable defense to liability. Congress' codification of "patent laws" therefore does not support an assumption that Congress only looked to the application laches in patent cases, and not to fundamental equitable principles announced by the Supreme Court.

(1915). As the court in *Ford* recognized, however, § 274(b) simply eliminated procedural barriers to requesting equitable relief in actions at law--obviating the need to file separately in a court of equity--but did not change the substantive and remedial principles of law and equity. *See* 296 F. at 658 (finding that under § 274(b), "a defendant in an action at law who files a plea setting up an equitable defense is given the same rights as if he had set them up in a bill in equity"). The Supreme Court subsequently confirmed that "the procedure was simplified, but the substance of the authorized intervention of equity was not altered." *Enelow v. N.Y. Life Ins. Co.*, 293 U.S. 379, 382, 55 S. Ct. 310, 79 L. Ed. 440 (1935); *cf. Stainback v. Mo Hock Ke Lok Po*, 336 U.S. 368, 383 n.26, 69 S. Ct. 606, 93 L. Ed. 741 (1949) ("Notwithstanding the fusion of law and equity by [Fed. R. Civ. P. 2], the substantive principles of Courts of Chancery remain unaffected."). And under Supreme Court precedent, it was a substantive principle of law and equity that laches alone was not a sufficient basis for a court of equity to enjoin an action at law. *See Wehrman*, 155 U.S. at 326-27. Section 274(b) therefore does not authorize courts to bar a claim for damages in an action at law based on a defense of laches.

The holding in *Ford* is consistent with this understanding of § 274(b). The court found that the plaintiff's claim was barred under a theory of equitable estoppel, which is an appropriate ground for enjoining an action at law for damages. *See Dickerson v. Colgrove*, 100 U.S. 578, 582-83, 25 L. Ed. 618 (1879). Equitable estoppel requires a showing that the defendant relied on a misleading communication by the plaintiff that is

inconsistent with his present claim. *See A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1041 (Fed. Cir. 1992) (en banc). The plaintiff in *Ford* had accepted payment "under circumstances calculated to lead defendant to believe or understand that such payment was accepted by plaintiff in full satisfaction and discharge of all claims by him." 296 F. at 657. Noting that "[t]he effect of one being estopped to enforce a claim is that his plight is substantially the same as it would have been if the claim had never existed," the court held that the plaintiff's action at law was barred. *Id.* at 657-58. The disposition in *Ford* thus rested on a theory of equitable estoppel, consistent with substantive equitable principles and § 274(b). *See Thorpe*, 40 F.2d at 270 (finding that in *Ford*, "while the word 'laches' is used, the decision clearly rested upon the ground of estoppel"). Any mention of laches was mere dictum, and certainly cannot be read to contradict Supreme Court precedent holding that laches does not bar a claim for damages in an action at law. *See Jama v. Immigration & Customs Enf't*, 543 U.S. 335, 351 n.12, 125 S. Ct. 694, 160 L. Ed. 2d 708 (2005) ("Dictum settles nothing, even in the court that utters it.").

The Third Circuit in *Banker*, however, took *Ford* beyond its holding and applied laches in an action at law based on a misinterpretation of § 274(b). Although the court cited *Ford* for its interpretation of § 274(b), the court went further and held that this provision "authorizes equitable defenses in actions at law theretofore applicable only in equity." *Banker*, 69 F.2d at 666. The Third Circuit found that "[had] the appellant's suit been in equity, the evidence would have been ample for holding that recovery

was barred because of laches." *Id.* For support, the Third Circuit relied on cases in which courts of equity applied laches to preclude a claim for an injunction and an accounting. *Id.* But it does not follow from these cases in equity that laches may also be grounds for enjoining a claim to legal damages in an action at law. Moreover, by 1952, the Supreme Court had established that laches cannot be invoked for this purpose, *see Wehrman*, 155 U.S. at 326-27, and that § 274(b) does not change substantive principles of law and equity, *see Enelow*, 293 U.S. at 382. In light of the Third Circuit's flawed analysis, as highlighted by Supreme Court decisions, *Banker* does not support a well-established rule in 1952 that laches may preclude a claim for legal damages in patent-infringement cases, notwithstanding the statutory limitations period. Neither do the cases relying on *Banker* without discussion. *See, e.g, Universal Coin Lock Co. v. Am. Sanitary Lock Co.*, 104 F.2d 781, 781 (7th Cir. 1939).

Several other cases cited by the majority involve courts of equity barring a plaintiff's suit due to laches. In one of these cases, the precluded relief included damages. *See George J. Meyer Mfg. Co. v. Miller Mfg. Co.*, 24 F.2d 505 (7th Cir. 1928). Others applied laches to bar a request for an "accounting," which we have said was sometimes--but only sometimes--used to refer to damages. *See, e.g., Wolf, Sayer & Heller v. U.S. Slicing Mach. Co.*, 261 F. 195, 1920 Dec. Comm'r Pat. 301 (7th Cir. 1919); *Hartford-Empire Co. v. Swindell Bros.*, 96 F.2d 227 (4th Cir. 1938); *Union Shipbuilding Co. v. Boston Iron & Metal Co.*, 93 F.2d 781 (4th Cir. 1938); *France Mfg. Co. v. Jefferson Elec. Co.*, 106 F.2d 605 (6th Cir. 1939); *Gillons v. Shell Co. of*

Cal., 86 F.2d 600 (9th Cir. 1936); *Window Glass Mach. Co. v. Pittsburgh Plate Glass Co.*, 284 F. 645 (3d Cir. 1922); *A.R. Mosler & Co. v. Lurie*, 209 F. 364 (2d Cir. 1913).

These cases do not support the conclusion that laches was well understood to bar legal damages in 1952. Courts of equity had discretion to dismiss a claim on equitable grounds such as laches or unclean hands. Because the patent statute required courts of equity to award damages upon a finding of infringement, *see* Patent Act of 1870, ch. 230, § 55, 16 Stat. 198, 206 (1870), the court's equitable discretion to reject a patent-infringement claim allowed it to bar legal damages in that equity court. But a plaintiff also had the option to seek damages in a court of law. And it was well established that, although a court of equity could refuse to grant damages itself, it could not enjoin a court of law from doing so. *See, e.g., Wehrman*, 155 U.S. at 326-27. Thus, laches could only bar a plaintiff from recovering damages in a particular forum. It was not sufficient to deny a remedy altogether.

That principle necessarily endures after the merger of law and equity. *See Stainback*, 336 U.S. at 383. In the post-merger system, therefore, prior case law applying laches to bar damages in a court of equity does not suddenly extend to all claims for damages. Plaintiffs are still entitled to damages that would have been available in a court of law, to which laches was no defense.

The majority's remaining support is minimal. *See, e.g., Brennan v. Hawley Prods. Co.*, 182 F.2d 945, 948-49 (7th Cir. 1950) (applying laches to bar all relief without mention

of the statutory limitations period, citing *Universal Coin Lock*, 104 F.2d at 781, and cases applying laches to bar relief in a court of equity). Particularly in light of the Supreme Court's repeated holding that laches cannot preclude a claim for legal damages governed by a statutory limitations period, these outliers are not sufficient to show a clear or well-established common-law rule to the contrary. To the extent that Congress codified laches, therefore, it was as a defense to equitable relief only, not as a defense to legal relief otherwise permitted under § 286.

C

The majority's policy concerns do not alter this conclusion. The majority argues that, because a copyright holder must prove a defendant's access to a work to establish infringement, potential defendants are more likely to know they are at risk of being sued. *See* Maj. Op. at 35. But innocence is no defense to direct patent infringement, and thus a defendant is less likely to be aware of its potential liability for infringement. *See id.* at 35-36. The majority argues that a defense of laches is therefore more useful to defendants in patent-infringement suits. *See id.* at 36.

The Supreme Court's decision in *Petrella* did not depend on policies specific to copyright law. It turned on the conflict between laches and a statutory limitations period, and the longstanding principle that laches cannot bar a claim for legal relief. *See* 134 S. Ct. at 1967, 1973-74. That innocence is not a defense to direct patent infringement does not make this reasoning any less applicable.

In any event, the majority's policy concerns are not the only consequences at stake. Patent owners often have good reason for delaying suit. As the Seventh Circuit observed:

> Frequently the position of the patentee (financial and otherwise) prevents the institution of suits. The patent litigation is often prolonged and expensive. Moreover from the very nature of the thing he cannot be fully cognizant of all infringements that occur throughout the length and breadth of this country. . . . Then, also, the validity of his patent and the infringement thereof may be, as here, disputed. These defenses present mixed questions of fact and law concerning which

George J. Meyer Mfg. Co., 24 F.2d at 507. Resolving these competing policy concerns is precisely the type of judgment left for Congress. Congress was well-aware of the nature of patent infringement in 1952, and it must be presumed that Congress took these concerns into account when it established the six-year limitations period for bringing a claim for damages. We should not undermine Congress' judgment in 1952 according to our own assessment of the current policy landscape.

III

The Supreme Court in *Petrella* reiterated the principle that laches does not apply to claims for legal relief governed by a statutory limitations period. The evidence of congressional intent and the pre-1952 case

law is insufficient to justify departing from this principle in patent-infringement cases. Following the Supreme Court's longstanding precedent, I read § 286 to express Congress' exclusive judgment on the timeliness of a claim for damages. Laches is not available as a further defense. Accordingly, I respectfully dissent-in-part.

APPENDIX B — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, DECIDED SEPTEMBER 17, 2014

UNITED STATES COURT OF APPEALS,
FEDERAL CIRCUIT.

2013-1564

SCA HYGIENE PRODUCTS AKTIEBOLAG AND SCA PERSONAL CARE, INC.,

Plaintiffs-Appellants,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC. AND FIRST QUALITY RETAIL SERVICES, LLC,

Defendants-Appellees.

September 17, 2014, Decided

OPINION

HUGHES, Circuit Judge.

SCA owns U.S. Patent No. 6,375,646 (the '646 patent), which relates to certain adult incontinence products. After SCA sued a competitor, First Quality, for infringement of the '646 patent, the district court dismissed the case,

finding that SCA's claims were barred by both laches and equitable estoppel. Because the district court properly concluded that SCA's more than six-year delay in filing suit warranted dismissal based on laches, we affirm the court's grant of summary judgment in that regard. But given SCA and First Quality's limited interactions, there remain genuine issues of material fact pertaining to equitable estoppel. Accordingly, we reverse the district court's grant of summary judgment as to equitable estoppel and remand for further proceedings consistent with this opinion.

I

SCA[1] and First Quality[2] compete in the market for adult incontinence products. On October 31, 2003, SCA sent a letter to First Quality, suggesting that certain First Quality products might infringe the '646 patent. The letter stated:

> It has come to our attention that you are making, selling and/or offering for sale in the United States absorbent pants-type diapers under the name Prevail® All Nites[™]. We believe that these products infringe claims of [the '646 patent].

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1. SCA refers collectively to plaintiffs-appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc.

2. First Quality refers collectively to defendants-appellees First Quality Baby Products, LLC; First Quality Hygienic, Inc.; First Quality Products, Inc.; and First Quality Retail Services, LLC.

Appendix B

> We suggest that you study [the '646 patent]. If you are of the opinion that the First Quality Prevail® All Nites[™] absorbent pants-type diaper does not infringe any of the claims of this patent, please provide us with an explanation as to why you believe the products do not infringe. If you believe that the products do infringe, please provide us with your assurance that you will immediately stop making and selling such products.

J.A. 544. First Quality responded on November 21, 2003, and stated:

> As you suggested, we studied [the '646 patent] . . In addition, we made a cursory review of prior patents and located U.S. Patent No. 5,415,649, ("the '649 Patent"), which was filed in the United States on October 29, 1991 and is therefore prior to your client's '646 Patent. A review of Figs. 3 and 4 of the prior '649 Patent reveals the same diaper construction claimed by the '646 Patent. Thus, the prior '649 Patent invalidates your client's '646 Patent. As you know, an invalid patent cannot be infringed.

> J.A. 547. These two communications were the only instances in which either party mentioned the '646 patent. SCA and First Quality exchanged four more brief letters over the next eight months before ceasing communications, but those letters concerned a different patent and different First Quality products.

On July 7, 2004—one day after SCA sent its final communication to First Quality—SCA filed an ex parte reexamination request for the '646 patent. SCA asked the United States Patent and Trademark Office (PTO) to review the patentability of the '646 patent in light of the '649 patent and European Patent Application No. 0187727 A2. About three years later, on March 27, 2007, the PTO confirmed the patentability of all 28 original claims and issued several new claims added during reexamination.

SCA never notified First Quality about the reexamination proceedings. According to SCA, it believed it was under no obligation to do so because the PTO provides public notice of all reexaminations. *See* 37 C.F.R. §§ 1.11(c), 1.570(f). First Quality, meanwhile, stated that it no longer considered the '646 patent "to be an issue" after making its invalidity allegations. *SCA Hygiene Prods. AB v. First Quality Baby Prods., LLC*, No. 10-cv-0122, 2013 U.S. Dist. LEXIS 98755, 2013 WL 3776173, at *10 (W.D. Ky. July 16, 2013) (internal quotation marks omitted).

Starting in 2006, while the '646 patent was under reexamination, First Quality began expanding its line of adult incontinence products. In 2008, after the

reexamination had concluded, First Quality acquired Covidian's Tyco Healthcare Retail Group LP and, along with it, some of the products at issue in this case. It continued its expansion in 2009 at a cost of more than $10 million.

SCA claims that it began preparing to file suit against First Quality immediately after the reexamination certificate issued in March 2007. But SCA did not file suit or otherwise contact First Quality until August 2, 2010, when it filed its complaint in this case—about six years and nine months after SCA first contacted First Quality about the '646 patent. According to SCA, it spent more than three years after the reexamination concluded implementing new business management structures, evaluating outside counsel, and examining potentially infringing products on the market.

First Quality counterclaimed for declaratory judgments of noninfringement and invalidity. After the district court's claim construction order, First Quality moved for partial summary judgment of noninfringement and for summary judgment of laches and equitable estoppel. The district court granted First Quality's motion for summary judgment as to laches and equitable estoppel and dismissed the remaining motion as moot.

SCA appeals. We have jurisdiction under 28 U.S.C. § 1295(a)(1).

Appendix B

II

A

Laches is an equitable defense to patent infringement that may arise only when an accused infringer proves by a preponderance of evidence that a patentee (1) unreasonably and inexcusably delayed filing an infringement suit (2) to the material prejudice of the accused infringer. *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028-29, 1045 (Fed. Cir. 1992) (*en banc*). If these prerequisite elements are present, a court must then balance "all pertinent facts and equities," including "the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability" before granting relief. *Id.* at 1034. When found, laches bars retrospective relief for damages accrued prior to filing suit but does not bar prospective relief. *Id.* at 1041.

Delays exceeding six years give rise to a presumption that the delay is unreasonable, inexcusable, and prejudicial. *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1337 (Fed. Cir. 1998). Under this presumption, the burden of evidentiary production shifts from the accused infringer to the patentee. *Id.*; *see also* Fed. R. Evid. 301; *Aukerman*, 960 F.2d at 1035-36. Both of these presumptions disappear if the patentee can identify evidence sufficient for a reasonable jury to conclude either that the delay was excusable or not unreasonable, or that it was not materially prejudicial. *See Wanlass*, 148 F.3d at 1337. If the patentee meets this burden of production, the accused infringer

must prove both elements of laches by a preponderance of evidence. *Aukerman*, 960 F.2d at 1045.

B

Equitable estoppel may only arise when an accused infringer shows by a preponderance of evidence that (1) a patentee, acting on the basis of accurate facts, communicated something in a misleading way, by words, conduct, or omission, to an alleged infringer, (2) on which the accused infringer relied, (3) such that he would be materially prejudiced if the patentee is allowed to assert a claim that is inconsistent with his earlier communication. *See id.* at 1041, 1046. But "even where the three elements of equitable estoppel are established, [a court must] take into consideration any other evidence and facts respecting the equities of the parities in exercising its discretion and deciding whether to allow the defense." *Id.* at 1043. When found, equitable estoppel acts as a complete bar to a patentee's infringement claim. *Id.* at 1041.

Although an equitable estoppel defense may appear similar to a laches defense when a patentee has delayed filing suit, the two defenses are distinct. For example, unlike laches, equitable estoppel requires that a "plaintiff's inaction . . . be combined with other facts respecting the relationship or contacts between the parties to give rise to the necessary inference that the claim against the defendant is abandoned." *Id.* at 1042. Moreover, equitable estoppel requires that the defendant rely, to its detriment, on the patentee's abandonment. *See id.* at 1042-43. *See also Meyers v. Asics Corp.*, 974 F.2d 1304, 1308 & n.1 (Fed. Cir.

1992). And a court may not presume that the underlying elements of equitable estoppel are present, regardless of how much time has passed. *Aukerman*, 960 F.2d at 1043.

C

The conclusion as to whether laches or equitable estoppel has been established is "committed to the sound discretion of the trial judge." *Id.* at 1028. Accordingly, we review conclusions about laches and equitable estoppel for abuse of discretion. *Id.*

But "[l]aches is not *established* by undue delay and prejudice. Those factors merely lay the foundation for the trial court's exercise of discretion." *Id.* at 1036. These two foundational inquiries are questions of fact. *See id.* at 1035 (referring to them as "the underlying factual elements" of laches); *id.* at 1038 (referring to "either factual element of a laches defense"); *Hemstreet v. Computer Entry Sys. Corp.*, 972 F.2d 1290, 1292 (Fed. Cir. 1992) ("[Laches] ultimately turn[s] on underlying factual determinations."). Similarly, the prerequisites of equitable estoppel are "factual elements . . . on which the discretionary power of the court rests." *Aukerman*, 960 F.2d at 1043.

Because the underlying elements of laches and equitable estoppel are questions of fact, we review ultimate findings as to those elements for clear error. *See* Fed. R. Civ. P. 52(a)(6); *Knowles v. Mirzayance*, 556 U.S. 111, 126, 129 S. Ct. 1411, 173 L. Ed. 2d 251 (2009); *Sea Byte, Inc. v. Hudson Marine Mgmt. Servs., Inc.*, 565 F.3d 1293, 1304 (11th Cir. 2009). After a grant of summary judgment,

however, we review the underlying factual elements *de novo*[3] to determine whether any genuine issues of material fact remain. Fed. R. Civ. P. 56(a); *see also Wanlass*, 148 F.3d at 1337.

When a trial court mistakenly concludes that the factual elements of laches or equitable estoppel have been established and grants relief, such error constitutes an abuse of discretion in the ultimate judgment. *See Aukerman*, 960 F.2d at 1039; *Heat & Control, Inc. v. Hester Indus., Inc.*, 785 F.2d 1017, 1022 (Fed. Cir. 1986) ("An abuse of discretion occurs when . . . the decision is based on an erroneous conclusion of law . . . [or] the court's findings are clearly erroneous."). But if such error is absent, a trial court's grant of laches or equitable estoppel can be overturned only if it represents unreasonable judgment in weighing all pertinent facts and equities. *See Aukerman*, 960 F.2d at 1039, 1043; *cf. Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1313 (Fed. Cir. 2006) (describing a similar fact/equity hybrid standard of review for inequitable conduct).

III

We first turn to the issue of laches. As a preliminary matter, SCA argues that *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 188 L. Ed. 2d 979 (2014),

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3. We review this aspect of a court's summary judgment award under regional circuit law. *Serdarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1362 (Fed. Cir. 2008). In this case, the Sixth Circuit's de novo standard applies. *See Mazur v. Young*, 507 F.3d 1013, 1016 (6th Cir. 2007).

"compels a finding that [*Aukerman*] is no longer good law." Notice of Supplemental Authority at 2, *SCA Hygiene Prods. AB v. First Quality Baby Prods.*, No. 2013-1564 (Fed. Cir. May 27, 2014), ECF No. 51. In particular, SCA points out that the Supreme Court has never "approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." *Petrella*, 134 S. Ct. at 1974.

But *Petrella* notably left *Aukerman* intact. *See id.* at 1974 n.15 ("We have not had occasion to review the Federal Circuit's position."). Because *Aukerman* may only be overruled by the Supreme Court or an *en banc* panel of this court, *Aukerman* remains controlling precedent. *See, e.g., Tate Access Floors, Inc. v. Interface Architectural Res., Inc.*, 279 F.3d 1357, 1366 (Fed. Cir. 2002).

A

SCA argues that the reexamination proceedings preclude application of the laches presumptions in this case because the reexamination period should be excluded from the total delay. The district court rejected that theory. In its view, because SCA filed suit more than six years after first learning of First Quality's allegedly infringing activities, the laches presumptions applied. We agree.

Whether SCA's delay was excusable relates to the question of whether it can rebut the presumption of unreasonable and inexcusable delay, not whether the

presumption applies in the first place.[4] Because more than six years elapsed between the time SCA first learned of First Quality's allegedly infringing activities and the time SCA filed infringement claims directed to those activities, the district court properly found that the laches presumptions applied.

Accordingly, summary judgment was appropriate only if no reasonable jury could have concluded that SCA's delay was reasonable, excusable, or materially prejudicial. *See, e.g., Wanlass v. Fedders Corp.*, 145 F.3d 1461, 1463 (Fed. Cir. 1998). We review this question under the Sixth Circuit's de novo standard. *See Mazur v. Young*, 507 F.3d 1013, 1016 (6th Cir. 2007). If no genuine issues of material fact remain, we must also review the district court's ultimate decision to grant or deny summary judgment for abuse of discretion. *Gasser Chair Co. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 773 (Fed. Cir. 1995); *Aukerman*, 960 F.2d at 1039.

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4. A number of cases suggest that a reasonable excuse may "toll" certain portions of the delay period for purposes of laches. But these cases are better understood as analyzing whether the purported justifications excuse the delay period. *See, e.g., Serdarevic*, 532 F.3d at 1359; *Meyers v. Brooks Shoe Inc.*, 912 F.2d 1459, 1462 (Fed. Cir. 1990), *overruled on other grounds by Aukerman*, 960 F.2d at 1038-39; *Hottel Corp. v. Seaman Corp.*, 833 F.2d 1570, 1572-73 (Fed. Cir. 1987), *overruled on other grounds by Aukerman*, 960 F.2d at 1038-39.

Appendix B

1

Reasonable explanations for delay include attempts to enforce the patent, such as filing suit against another infringer or participating in post-grant PTO proceedings. *See Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 876-78 (Fed. Cir. 1991). SCA asserts that the '646 patent reexamination proceedings provide a reasonable excuse for its delay in filing suit against First Quality.

The district court disagreed. It concluded that "SCA's stated reasons for delay in filing suit are legally insufficient to overcome the presumption of unreasonable delay." *SCA Hygiene*, 2013 U.S. Dist. LEXIS 98755, 2013 WL 3776173, at *6. First, the court reasoned that, "[u]nder the facts of this case, notice by SCA of an intent to sue after the reexamination was required." 2013 U.S. Dist. LEXIS 98755, [WL] at *5. Second, the court "reject[ed] SCA's argument that it needed more than three years . . . to bring infringement claims against First Quality" following the reexamination. *Id.* Although we disagree that SCA was required to provide explicit notice of the reexamination proceedings to First Quality on the facts of this case, we nevertheless agree that SCA failed to rebut the presumption of unreasonable delay.

A patentee is not required in all cases to provide notice of related proceedings involving the asserted patent to show its delay was not unreasonable. *Aukerman*, 960 F.2d at 1039. For example, "[i]f a defendant is . . . aware of the [proceedings] from other sources, it would place form over

substance to require a specific notice." *Id.* Here, the PTO provided public notice of the reexamination proceedings on August 24, 2004. First Quality could have learned of those proceedings based on SCA's initial notice of the '646 patent, coupled with the PTO's subsequent notice of the reexamination. Under such circumstances, SCA was not required to provide notice of the reexamination to First Quality.

But even though SCA's delay during reexamination may have been excusable when viewed in isolation, we must examine whether SCA's delay, viewed as a whole, was excusable. The district court found that "SCA admitted that it has continuously tracked First Quality's activity since 2003 and has an entire department dedicated solely to competitive intelligence." *SCA Hygiene*, 2013 U.S. Dist. LEXIS 98755, 2013 WL 3776173, at *5. SCA then continued to evaluate First Quality's products during the reexamination period. SCA was also represented by U.S. patent counsel when it sent letters to First Quality in 2003 and 2004 and during the reexamination proceedings between 2004 and 2007. *Id.* No evidence suggests that SCA was unable to find counsel or reinitiate contact with First Quality shortly after the reexamination ended. Moreover, "personal lack of familiarity with the patent system . . . does not excuse . . . failure to file suit." *Serdarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1360 (Fed. Cir. 2008).

Given the circumstances, SCA should have been prepared to reassert its rights against First Quality shortly after the '646 patent emerged from reexamination.

See Wanlass, 148 F.3d at 1338 ("The availability of delay based on constructive knowledge of the alleged infringer's activities imposes on patentees the duty to police their rights."); 6A Donald S. Chisum, *Chisum on Patents* § 19.05[2][a][iii] (2013) ("Many decisions in finding delay excused emphasize that the patent owner promptly filed suit after the excuse (such as other litigation) ceased."). But SCA remained silent for more than three years after the patent came out of reexamination.

Accordingly, SCA has failed to raise a genuine issue of material fact regarding the reasonability of its delay. Viewing all of the facts in the light most favorable to SCA, no reasonable fact-finder could conclude that SCA's delay, viewed as a whole, was reasonable.

2

There are two categories of prejudice in laches—evidentiary and economic. *Aukerman*, 960 F.2d at 1033. Evidentiary prejudice results when the patentee's delay hinders an accused infringer from defending against the patent suit. This may include, for example, the death of a critical witness, the dimming of memories, or the loss of documents. *Id.* "Economic prejudice may arise where a defendant and possibly others will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit."[5] *Id.*

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5. Because the district court was silent as to evidentiary prejudice and because the parties do not contest that issue here, we must assume there is no genuine factual dispute that First Quality did not suffer evidentiary prejudice. We therefore limit our discussion to economic prejudice.

Economic prejudice cannot be attributed to losses merely associated with a finding of liability for infringement. *Id.* Rather, "[t]he courts must look for a *change* in the economic position of the alleged infringer during the period of delay." *Id.* For example, "[m]aking heavy capital investment and increasing production can constitute [economic] prejudice." *Adelberg Labs., Inc. v. Miles, Inc.*, 921 F.2d 1267, 1272 (Fed. Cir. 1990). But there must be a demonstrable nexus between the alleged economic prejudice and the patentee's delay. *See, e.g., Hemstreet*, 972 F.2d at 1293-94 ("It is not enough that the alleged infringer changed his position—*i.e.*, invested in production of the allegedly infringing device. The change must be because of and as a result of the delay, not simply a business decision to capitalize on a market opportunity.").

This nexus requirement does not, however, require reliance on the patentee's delay. *Asics*, 974 F.2d at 1308 n.1. "[T]he question is whether . . . prejudice *resulted from* [the] delay," *id.* at 1308, and "there is a difference between prejudice that *results from* delay and prejudice that is due to *reliance upon* delay," *id.* at 1308 n.1. Economic prejudice *results from* a patentee's delay if the financial losses at issue "likely would have been prevented by earlier suit." *Aukerman*, 960 F.2d at 1033; *accord State Contracting & Eng'g Corp. v. Condotte Am., Inc.*, 346 F.3d 1057, 1066 (Fed. Cir. 2003); *Gasser Chair*, 60 F.3d at 775; *Asics*, 974 F.2d at 1307-08.

Here, the district court concluded that SCA failed to rebut the presumption that First Quality suffered economic harm, and we agree. First Quality made a

number of capital expenditures to expand its relevant product lines and to increase its production capacity. The record evidence suggests that First Quality would have restructured its activities to minimize infringement liability if SCA had brought suit earlier.

SCA challenges this evidence by asserting that "[t]he District Court committed reversible error when it credited the self-serving, uncorroborated testimony of First Quality's witness, who was an in-house lawyer and not even a business person." Appellants' Br. 32. SCA is correct, of course, that the district court was not permitted to assess the credibility of First Quality's witnesses on summary judgment. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986). But SCA may not rely solely on pleadings and speculation to create a genuine issue of material fact; it must identify particular evidence that creates such a dispute. *See* Fed. R. Civ. P. 56(c)(1); *Matsushita Elec. Indus. v. Zenith Radio Corp.*, 475 U.S. 574, 587-88, 106 S. Ct. 1348, 89 L. Ed. 2d 538 (1986); *Shreve v. Franklin Cnty.*, 743 F.3d 126, 132 (6th Cir. 2014).

SCA has not identified sufficient evidence relevant to this issue. SCA notes that First Quality considered its protective underwear business to be important and that its initiatives in that market were highly successful. SCA also relies heavily on a statement by First Quality's President, Mr. Damaghi, that "after sending [the November 21, 2003] letter this matter was never thought of again." J.A. 1171-72. Thus, SCA contends that "First Quality was motivated by a huge market opportunity and would have continued

to grow its protective underwear business regardless of when SCA filed suit." Appellants' Br. 35-36.

But Mr. Damaghi's statement that "this matter was never thought of again" does not suggest that First Quality planned to ignore the issue whether or not SCA filed suit. *See SCA Hygiene*, 2013 U.S. Dist. LEXIS 98755, 2013 WL 3776173, at *10 ("[W]e never heard back from [SCA], and as a result we did not consider it to be an issue because we did not know what, if any, issue existed for us to follow up on." (internal quotation marks omitted)). Moreover, there is no dispute that First Quality considered its protective underwear business to be important and that its initiatives in that market were highly successful. To suggest, based on this evidence alone, that First Quality would have continued its allegedly infringing activities regardless of when or whether SCA filed suit is pure speculation.

SCA has not identified any evidence that raises a genuine issue of material fact regarding First Quality's presumed economic prejudice.

B

SCA further contends that, even if it failed to rebut the laches presumptions, "it was an abuse of discretion for the District Court to refuse to consider the equities fully." Appellants' Br. 52. We agree that the district court should have evaluated the equities. The court seemed to treat laches as though relief was automatic so long as First Quality established the factual prerequisites of the defense. *See SCA Hygiene*, 2013 U.S. Dist. LEXIS 98755,

2013 WL 3776173, at *3 ("If these factors are proven, laches bars the recovery of patent damages for any time period before the suit was filed." (internal quotation marks omitted)). Our law makes clear, however, that courts should grant relief for laches only after balancing "all pertinent facts and equities," including "the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability." *Aukerman*, 960 F.2d at 1034; *see also Gasser Chair*, 60 F.3d at 773, 775-76.

SCA points to (1) its alleged good faith in seeking reexamination of the '646 patent, (2) the PTO's public notice of the reexamination proceedings, and (3) the fact that the PTO granted new claims during reexamination. None of these factors, however, suggest that the district court's decision to grant summary judgment of laches constituted an abuse of discretion. The district court's failure to explicitly balance the equities in its decision was therefore harmless error. *See, e.g., Metabolite Labs., Inc. v. Lab. Corp. of Am. Holdings*, 370 F.3d 1354, 1371 (Fed. Cir. 2004).

C

SCA argues for the first time on appeal that the district court erred by applying laches to the new claims issued during reexamination and to SCA's allegations against products introduced after 2008. As a general rule, "a federal appellate court does not consider an issue not passed upon below." *Singleton v. Wulff*, 428 U.S. 106, 120, 96 S. Ct. 2868, 49 L. Ed. 2d 826 (1976); *see also Golden*

Bridge Tech., Inc. v. Nokia, Inc., 527 F.3d 1318, 1322-23 (Fed. Cir. 2008). Because SCA did not raise these issues in the district court and the district court did not rule on them, we do not consider them on appeal.

IV

We next turn to the issue of equitable estoppel and review de novo whether genuine issues of material fact remain as to the prerequisite elements. *See* Fed. R. Civ. P. 56(a); *Celotex*, 477 U.S. at 322; *Mazur*, 507 F.3d at 1016. Because there are no evidentiary burden-shifting presumptions in equitable estoppel, *see Aukerman*, 960 F.2d at 1028, 1043, First Quality possessed the burden of production.

A

The first element of equitable estoppel requires SCA to have made a misleading communication, either affirmatively or by omission, to First Quality. The district court ruled that "SCA unquestionably misled First Quality though [sic] its 2003 letter and subsequent inaction." *SCA Hygiene*, 2013 U.S. Dist. LEXIS 98755, 2013 WL 3776173, at *9. The court focused on SCA's failure to respond to First Quality's letter addressing the '646 patent and on SCA's decision to write First Quality regarding different products and a different patent. In the court's view, "[w]hether this letter 'is viewed as a tacit withdrawal of the ['646 patent] or as misleading silence with respect to the ['646 patent], the result is the same, for it was reasonable for [First Quality] to infer that [SCA] was not continuing

the accusation of infringement as to the ['646 patent].'" *Id.* (alterations in original) (quoting *Aspex Eyewear Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1311 (Fed. Cir. 2010)). We disagree.

"[S]ilence alone will not create an estoppel unless there was a clear duty to speak or somehow the patentee's continued silence reenforces the defendant's inference from the plaintiff's known acquiescence that the defendant will be unmolested." *Aukerman*, 960 F.2d at 1043-44 (citations omitted); *see also Asics*, 974 F.2d at 1308-09. Although the most common example of equitable estoppel is a patentee who objects to allegedly infringing activities and then remains silent for a number of years, that silence must be "coupled with *other* factors, [such that the] patentee's 'misleading conduct' is essentially misleading inaction." *Aukerman*, 960 F.2d at 1042 (emphasis added); *see also Hemstreet*, 972 F.2d at 1295; *Asics*, 974 F.2d at 1308-09.

For example, in *Scholle Corp. v. Blackhawk Molding Co.*, 133 F.3d 1469 (Fed. Cir. 1998), the parties had been engaged in patent litigation over an older product. The accused infringer later informed the patentee that it planned to begin marketing a design-around product and stated that it "would consider the new product non-infringing unless [the patentee] advised . . . otherwise." *Id.* at 1470. The accused infringer sent samples of the new product to the patentee and sought its opinion, but the patentee never responded. During the three years that followed, the parties discussed the asserted patent at numerous meetings between high-level officials. *Id.* at

1470-71. A possible merger was even discussed. *Id.* at 1471. But, throughout that time, the patentee never suggested that it thought the accused infringer's new product line infringed. *Id.* The patentee only offered opinions about the older product line. Under those circumstances, we held that the parties' course of dealings was such that the patentee's silence amounted to misleading inaction. *Id.* at 1472.

Similarly, in *Aspex*—an opinion on which the district court relied heavily—the parties had been embroiled in a related patent litigation in the past. 605 F.3d at 1308. The accused infringer later began marketing a redesigned product similar to those that had been litigated, and the patentee threatened "to fully and vigorously enforce [its] rights" under four related patents. *Id.* (internal quotation marks omitted). In response, the accused infringer requested specific infringement contentions, but the patentee complied regarding only two of the patents. It made no reference to the other two. After three years of silence, the patentee renewed its objections with respect to one of the two patents for which it declined to provide specific infringement contentions. Under those circumstances, this court stated that "[w]hether this sequence is fairly viewed as a tacit withdrawal of the . . . patent, or as misleading silence with respect to the . . . patent, the result is the same, for it was reasonable . . to infer that [the patentee] was not continuing the accusation of infringement." *Id.* at 1311.

Compared to *Scholle* and *Aspex*, the interaction between SCA and First Quality reflected in the record is

meager. SCA and First Quality exchanged only six terse letters over a course of eight months. And only two of those letters, sent within one month of one another, referenced the '646 patent or the accused products. Unlike in *Aspex* and *Scholle*, First Quality never solicited further comment from SCA. Thus, a reasonable juror may be less likely to infer that SCA's subsequent silence misled First Quality. Moreover, the record does not suggest that the parties engaged in serious discussions involving the accused products or any related patent, let alone the '646 patent. Nor does the record suggest that SCA and First Quality had been adversaries in prior related litigations or that they held any other close relationship.

Nevertheless, First Quality maintains that SCA's silence was tantamount to an admission that the '646 patent was invalid. But "a mere verbal charge of infringement, if made, followed by silence [i]s not sufficient affirmative conduct to induce a belief that [the patentee] ha[s] abandoned an infringement claim." *Meyers v. Brooks Shoe, Inc.*, 912 F.2d 1459, 1462 (Fed. Cir. 1990), *overruled on other grounds by Aukerman*, 960 F.2d at 1038-39. Here, SCA almost immediately filed a request for ex parte reexamination of the '646 patent to address the issues raised by First Quality—an action that could reasonably be viewed as inconsistent with SCA's alleged acquiescence. Thus, record evidence supports a version of events that differs from First Quality's. A reasonable juror could conclude that First Quality raised an issue SCA had overlooked and that SCA, rather than acquiescing, took immediate action.

Appendix B

To justify summary judgment of equitable estoppel, any inference that a patentee made a misleading communication by omission or acquiescence "must be the *only* possible inference from the evidence." *Aukerman*, 960 F.2d at 1044 . That is not the case here. Accordingly, genuine issues of material fact remain as to whether SCA made a misleading communication to First Quality.

B

Equitable estoppel also requires that material prejudice to the accused infringer be caused by his reliance on the patentee's misleading communication. *Id.* at 1028, 1041-42. In this case, the district court found that no genuine issue of material fact remained with regard to First Quality's reliance. In its view, the testimonies of Messrs. Oppenheim and Damaghi conclusively established First Quality's reliance.

There is a difference between prejudice that *results from* a patentee's alleged misrepresentation and prejudice caused by *reliance upon* it. *Asics*, 974 F.2d at 1308 n.1. Although the former is sufficient to show a nexus for laches, the latter is required to show reliance for equitable estoppel. *Id.* As *Aukerman* explained, "[t]he accused infringer must show that, in fact, it substantially relied on the misleading conduct of the patentee in connection with taking some action." 960 F.2d at 1042-43.

In this case, Mr. Damaghi testified that "after sending [the November 21, 2003] letter this matter was never thought of again." J.A. 1171-72. Although this

testimony demonstrates that First Quality disregarded SCA's allegations involving the '646 patent, it does not necessarily establish that First Quality made capital investments and expanded its business in connection with SCA's subsequent silence. Mr. Damaghi's testimony acknowledges the possibility that some issues regarding the '646 patent may not have been fully resolved. *See SCA Hygiene*, 2013 U.S. Dist. LEXIS 98755, 2013 WL 3776173, at *10 ("[W]e did not consider it to be an issue because we did not know what, if any, issue existed for us to follow up on." (internal quotation marks omitted)). And even the most rudimentary due diligence by First Quality would have revealed that SCA had filed a reexamination request for the '646 patent. Thus, a reasonable juror could conclude that First Quality's reliance, to the extent it can be established, was not reasonable.

Mr. Oppenheim's testimony also fails to establish First Quality's reliance. As in-house counsel, he testified that First Quality would not have made certain capital investments had it been involved in an earlier lawsuit over those products. Although that may show a nexus for purposes of laches, it does not necessarily establish that First Quality expanded its business after considering the implications of SCA's silence.

Accordingly, genuine issues of material fact remain as to whether First Quality relied on its own opinion that the '646 patent was invalid (or simply ignored the '646 patent), rather than relying on SCA's silence. *See Gasser Chair*, 60 F.3d at 776 (reversing a judgment of equitable estoppel because the accused infringer "believed the patent was

invalid" and "paid little attention to [the patentee's] complaints"); *Hemstreet*, 972 F.2d at 1294-95 (reversing a judgment of equitable estoppel because of a complete absence of evidence that the accused infringer's actions "were in reliance upon supposed actions of [the patentee], rather than a business judgment of its own").[6]

V

We have considered the parties' remaining arguments and find them unpersuasive. Accordingly, we affirm the district court's grant of summary judgment as to laches, reverse its grant of summary judgment as to equitable estoppel, and remand for further proceedings consistent with this opinion.

AFFIRMED-IN-PART, REVERSED-IN-PART, AND REMANDED.

No costs.

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6. Having decided that issues of material fact remain as to the other elements of the equitable estoppel defense, we do not address whether First Quality suffered material prejudice. The district court may consider this element further on remand.

APPENDIX C — MEMORANDUM OPINION AND ORDER OF THE UNITED STATES DISTRICT COURT, WESTERN DISTRICT OF KENTUCKY, BOWLING GREEN DIVISION, FILED JULY 16, 2013

UNITED STATES DISTRICT COURT,
W.D. KENTUCKY,
BOWLING GREEN DIVISION

CIVIL ACTION NO. 1:10CV-00122-JHM

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Plaintiffs,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,

Defendants.

July 15, 2013, Decided
July 16, 2013, Filed

MEMORANDUM OPINION AND ORDER

This matter is before the Court on a motion by Defendants First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., and

Appendix C

First Quality Retail Services, LLC (collectively "First Quality") for summary judgment based on the doctrines of laches and equitable estoppel [DN 82, DN 83] and on a motion by First Quality for a hearing on this motion for summary judgment [DN 84]. Fully briefed, these matters are ripe for decision.

I. BACKGROUND

Plaintiffs SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. (collectively "SCA") assert that some of First Quality's pants-type disposable diapers infringe the asserted claims of U.S. Patent No. 6,375,646 and its accompanying Reexamination Certificate (collectively "the '646 Patent"). The invention described in the '646 Patent was developed by engineers at SCA's Swedish research laboratories and relates to a pants-type disposable diaper for use by both potty-training children and adults with incontinence issues. The inventors filed an initial patent application in Sweden on March 4, 1992, and the '646 Patent issued in the United States on April 23, 2002, with claims 1-28. Claims 29-38 were added during a reexamination which concluded on March 27, 2007. Claims 1 and 15 are independent claims and the remainder of the claims depend from either claim 1 or 15.

On October 31, 2003, counsel for SCA wrote a notice letter to Mr. Kambiz Damaghi, President of First Quality Enterprises, Inc. The letter provided that SCA was the owner of the patent rights of the '646 Patent, "which related to absorbent pants-type diapers . . ." (October 31, 2003, Letter, DN 83-8, DN 95-3.) The letter identified

the First Quality Prevail All Nites absorbent pants-type diapers as infringing the '646 Patent. Specifically, the letter provided:

> It has come to our attention that you are making, selling and/or offering for sale in the United States absorbent pants-type diapers under the name Prevail All Nites. We believe that these products infringe claims of the patent listed above.
>
> We suggest that you study U.S. Patent No. 6,375,646 B1. If you are of the opinion that the First Quality Prevail All Nites absorbent pants-type diaper does not infringe any of the claims of this patent, please provide us with an explanation as to why you believe the products do not infringe. If you believe that the products do infringe, please provide us with your assurance that you will immediately stop making and selling such products.
>
> Please provide us with your response before ***November 21, 2003***.

(*Id.* at 1.)

First Quality investigated the allegation and promptly responded to SCA's letter. On November 21, 2003, counsel for First Quality responded indicating that the '646 Patent was invalid in view of what the parties refer to as the Watanbe patent ("the '649 Patent"). Specifically, the letter provided:

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> As you suggested, we studied U.S. Patent No. 6,375,646 B1 ("the '646 Patent"), which we understand is owned by your client SCA Hygiene Products AB. In addition, we made a cursory review of prior patents and located U.S. Patent No. 5,415,649, ("the '649 Patent"), which was filed in the United States on October 29, 1991 and is therefore prior to your client's '646 Patent. A review of Figs. 3 and 4 of the prior '649 Patent reveals the same diaper construction claimed by the '646 Patent. Thus, the prior '649 Patent invalidates your client's '646 Patent. As you know, an invalid patent cannot be infringed.

(November 21, 2003 Letter, DN 95-4.) First Quality further provided that all future correspondence to First Quality should be directed to First Quality's counsel. (*Id.*) First Quality heard nothing further from SCA regarding the '646 Patent.

Five months later, on April 27, 2004, SCA sent another letter to First Quality asserting that a different First Quality Product infringed a different SCA Patent, U.S. Pat. No. 6,726,670 ("the '670 Patent"). SCA's April 2004 letter did not mention its earlier assertion of the '646 Patent. (April 24, 2004, Letter, DN 83-10.) On May 24, 2004, First Quality responded to SCA's April 27, 2004 letter, explaining that it did not infringe the '670 Patent. First Quality also referred to the 2003 correspondence relating to the '646 Patent. (*See* May 24, 2004 Letter, DN 83-11.) ("As we previously advised you in our letter of November

21, 2003, we also represent First Quality Enterprises, Inc. and, in the future, correspondence from you to [First Quality] should be directed to the undersigned."). On July 6, 2004, SCA replied to First Quality's May 24, 2004, letter disagreeing with First Quality regarding the '670 Patent, but saying nothing about First Quality's position on the '646 Patent. (July 6, 2004, Letter, DN 83-12.) On July 20, 2004, First Quality replied to SCA's July 6, 2004, letter. (July 20, 2004, Letter, DN 83-13.) First Quality received no further correspondence from SCA regarding the '646 patent.

On July 7, 2004, SCA initiated an *ex parte* reexamination proceeding in the U.S. Patent Office for the '646 Patent over the Watanabe patent. The reexamination proceeding lasted for over three years. On March 27, 2007, the Patent Office issued a reexamination certificate that confirmed the validity of all claims of the '646 Patent and added a number of new dependent claims. It is undisputed that SCA did not notify First Quality as to the existence of the reexamination proceeding, nor did SCA ever advise First Quality that SCA intended to file suit against First Quality once the reexamination was complete.

SCA filed this case on August 2, 2010, alleging that some of First Quality's pants-type disposable diapers infringe the asserted claims of U.S. Patent No. 6,375,646 and its accompanying Reexamination Certificate (collectively "the '646 Patent"). First Quality filed a counterclaim against SCA alleging claims of noninfringement and patent invalidity. The parties identified six claim construction issues contained in the '646 Patent in claims 1-11, 15-

25, 29-33, and 35-38. On December 29, 2011, the Court conducted a hearing pursuant to *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 116 S. Ct. 1384, 134 L. Ed. 2d 577 (1996). On February 10, 2012, the Court issued a Claims Construction Memorandum Opinion and Order determining the construction of the disputed claims.

First Quality has now filed a motion for summary judgment based on the doctrines of laches and equitable estoppel and a motion for partial summary judgment of non-infringement for all asserted claims, along with two related motions to exclude portions of expert testimony and reports. [DN 82, DN 83, DN 98, DN 96, DN 97]. SCA also filed a motion to exclude First Quality's expert on the issue of infringement. [DN 100]. This Opinion addresses only the motion for summary judgment based on the doctrine of laches and equitable estoppel.

II. STANDARD OF REVIEW

In order to grant a motion for summary judgment, the Court must find that the pleadings, together with the depositions, interrogatories, and affidavits, establish that there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56. The moving party bears the initial burden of specifying the basis for its motion and of identifying that portion of the record which demonstrates the absence of a genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322, 106 S. Ct. 2548, 91 L. Ed. 2d 265 (1986). Once the moving party satisfies this burden, the non-moving party thereafter must produce specific facts

demonstrating a genuine issue of fact for trial. *Anderson v. Liberty Lobby, Inc.* 477 U.S. 242, 247-48, 106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986).

Although the Court must review the evidence in the light most favorable to the non-moving party, the non-moving party is required to do more than simply show that there is some "metaphysical doubt as to the material facts." *Matsushita Elec. Indus. Co. v. Zenith Radio Co.*, 475 U.S. 574, 586, 106 S. Ct. 1348, 89 L. Ed. 2d 538 (1986). Rule 56 requires the non-moving party to present "*specific facts* showing there is a *genuine* issue for trial." Fed. R. Civ. P. 56(e) (emphasis added). "The mere existence of a scintilla of evidence in support of the plaintiff's position will be insufficient; there must be evidence on which the jury could reasonably find for the plaintiff." *Anderson*, 477 U.S. at 252.

III. DISCUSSION

First Quality moves for summary judgment arguing that SCA's infringement claims are barred by the doctrines of laches and equitable estoppel.

A. Laches

"The Supreme Court has long recognized the defense of laches to a patent infringement action brought in equity." *A.C. Aukerman Co. v. R. L. Chaides Constr. Co.*, 960 F.2d 1020, 1028 (Fed. Cir. 1992)(citing *Lane & Bodley Co. v. Locke*, 150 U.S. 193, 14 S. Ct. 78, 37 L. Ed. 1049 (1893)). Laches is "defined as the neglect or delay in bringing suit

to remedy an alleged wrong, which taken together with lapse of time and other circumstances, causes prejudice to the adverse party and operates as an equitable bar." *Id.* at 1028-1029. In determining the applicability of the laches defense, the Federal Circuit has directed district courts to consider whether "(a) the patentee's delay in bringing suit was unreasonable and inexcusable," and whether "(b) the alleged infringer suffered material prejudice attributable to the delay." *Id.* at 1028 (Fed. Cir. 1992); *FMC Corp. v. Guthery*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033663, *3 (D. N.J. April 17, 2009). If these factors are proven, "laches bars the recovery of patent damages for any time period before the suit was filed." *Lautzenhiser Technologies, LLC v. Sunrise Medical HHG, Inc.*, 752 F. Supp. 2d 988, 999 (S.D. Ind. 2010)(quoting *A.C. Aukerman Co.*, 960 F.2d at 1028).

Furthermore, "'a delay of more than six years after the omitted inventor knew or should have known of the issuance of the patent will produce a rebuttable presumption of laches.'" *FMC Corp.*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033663, *3 (quoting *Advanced Cardiovascular Sys., Inc. v. SciMed Life Sys., Inc.*, 988 F.2d 1157, 1163 (Fed. Cir.1993)). "The presumption requires the district court to infer unreasonable delay and resulting prejudice." *Id.* This presumption can be rebutted if the patentee "raises a genuine factual issue that the delay was reasonable or excusable or offers evidence 'sufficient to place the matters of [evidentiary] prejudice and economic prejudice genuinely in issue.'" *Id.* (quoting *Serdarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1359 (Fed. Cir. 2008). "If the presumption is

overcome, the adverse party must affirmatively prove both elements of laches by a preponderance of the evidence." *Id.* (quoting *Church & Dwight Co., Inc. v. Abbott Labs.*, 2008 U.S. Dist. LEXIS 103519, 2008 WL 5416383, *5 (D.N.J. Dec. 23, 2008)). For purposes of laches, "the clock starts to run at 'the time the plaintiff *knew or reasonably should have known* of its claim against the defendant.'" *Lautzenhiser Technologies*, 752 F. Supp. 2d at 999 (quoting *A.C. Aukerman Co.*, 960 F.2d at 1032).

1. **Applicability of the Presumption**

The record reflects that SCA knew or should have known of its claims against First Quality no later than October 31, 2003, the date it sent the letter to First Quality regarding the '646 patent infringement claim. Because the delay in bringing the patent infringement action exceeded six years, First Quality is entitled to the benefit of the presumption of unreasonable delay and prejudice. Thus, SCA "must come forward with evidence sufficient to put the existence of these presumed undisputed facts into genuine dispute, either by showing that the delay was reasonable or that the movant did not suffer prejudice caused by the wait." *Lautzenhiser*, 752 F. Supp. 2d at 1001 (citing *Aukerman*, 960 F.2d at 1038). If SCA fails to come forward with "*either* affirmative evidence of a lack of prejudice *or* a legally cognizable excuse for its delay in filing suit," then First Quality will prevail. *Hall v. Aqua Queen Mfg., Inc.*, 93 F.3d 1548, 1554 (Fed. Cir. 1996) (recognizing that plaintiff must do more than attack defendant's evidence regarding unreasonableness and prejudice, because "the defendants could have

remained *utterly mute* on the issue[s] . . and nonetheless prevailed."); *Lautzenhiser*, 752 F. Supp. 2d at 1001 (citing *ABB Robotics, Inc. v. GMFanuc Robotics Corp.*, 828 F. Supp. 1386, 1392 (E.D. Wis. 1993)(defendant must put forward "evidence sufficient to support a finding of the nonexistence of the presumed fact.")).

2. Unreasonableness of Delay

"A court must consider and weigh any justification offered by the plaintiff for its delay." *Aukerman*, 960 F.2d at 1033. Excuses that have been recognized in certain instances include: "other litigation; negotiations with the accused defendant; possibly poverty and illness in limited circumstances; wartime conditions; extent of infringement; and dispute over ownership of the patent." *FMC Corp.*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033663, *4 (citing *A.C. Aukerman Co.*, 960 F.2d at 1033).

SCA contends that it has come forward with evidence to show a genuine factual dispute on the reasonableness of any alleged delay. Specifically, SCA maintains that its pursuit of the reexamination of the '646 patent is a reasonable excuse for any delay through 2007. SCA also contends that it was not required to provide notice of the reexamination or notice that it intended to enforce its patent upon completion of the proceeding. Further, SCA argues that the three year delay after the reexamination was reasonable because SCA was confidentially and deliberately investigating its infringement claim, including the selection of counsel. However, the Court finds none of these explanations provide "a cognizable justification for

the delay sufficient to rebut the presumption of laches." *FMC Corp.*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033633, *4.

First, SCA's involvement in the reexamination of the '646 patent does not provide it with a sufficient excuse because SCA failed to provide notice to First Quality that it intended to litigate its rights under the '646 Patent at the conclusion of the reexamination. *FMC Corp.*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033663, *4. *See also Hall*, 93 F.3d at 1554 (finding no abuse of discretion in district court's conclusion that notice of an intent to sue after litigation was required under the facts of that case); *Vaupel Textilmaschinen KG v. Meccanica Euro Italia SPA*, 944 F.2d 870, 877 (Fed. Cir. 1991) (holding that notice to the alleged infringer is the key to finding excusable delay and that "[f]or other litigation to excuse a delay in bringing suit, there must be adequate notice of the proceedings to the accused infringer. The notice must also inform the alleged infringer of the patentee's intention to enforce its patent upon completion of that proceeding." (internal citations omitted)).

SCA contends that such notice was unnecessary, relying on the Federal Circuit's statement in *Aukerman* that "there can be no rigid requirement in judging a laches defense that such notice must be given." 960 F.2d at 1039. While there is no "rigid requirement" of notice, the Federal Circuit in Hall addressing the same argument held that, "'[w]here there is prior contact [between the patentee and the accused infringer], the overall equities may require appropriate notice, as in *Jamesbury*.'" *Hall*,

93 F.3d at 1554 (quoting *Aukerman*, 960 F.2d at 1039 (citing *Jamesbury Corp. v. Litton Indus. Products., Inc.*, 839 F.2d 1544 (Fed. Cir. 1988)). *See Southern Grouts & Mortars, Inc. v. 3M Co.*, 2008 U.S. Dist. LEXIS 70222, 2008 WL 4346798, *5 (S.D. Fla. Sept. 17, 2008).

In the present case, there was prior contact between SCA and First Quality regarding SCA's claim that certain First Quality absorbent pants-type diapers infringed the '646 Patent. (October 31, 2003, Letter, DN 95-3.) On November 21, 2003, counsel for First Quality responded indicating that the '646 Patent was invalid in view of what the parties refer to as the Watanbe patent ("the '649 Patent"). Five months later, on April 24, 2004, SCA sent another letter to First Quality asserting that a different First Quality Product infringed a different SCA Patent, U.S. Pat. No. 6,726,670 ("the '670 Patent"). SCA's April 2004 letter did not mention SCA's earlier assertion of the '646 Patent. (April 24, 2004, Letter, DN 83-10.) At no time did SCA communicate with First Quality in any way that it was going to pursue its claims under the '646 Patent. The evidence reflects that First Quality believed the matter was closed. Under the facts of this case, notice by SCA of an intent to sue after the reexamination was required. *See Hall*, 93 F.3d at 1554; *Serdarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1359 (Fed. Cir. 2008)(what is important is whether the defendant had reason to believe it was likely to be sued after the proceedings concluded).

Second, SCA's stated reasons for the three year delay in bringing suit once the reexamination ended does not provide it with a legally cognizable excuse for

its delay in filing suit. The Court rejects SCA's argument that it needed more than three years to determine whether it was appropriate to bring infringement claims against First Quality. The evidence reflects that SCA had already completed its infringement analysis by October of 2003, when it sent the initial letter to First Quality. (*See* Charles Macedo Decl., Ex. 40, Kevin Gorman Tr. 27-28.) Additionally, SCA admitted that it has continuously tracked First Quality's activity since 2003 and has an entire department dedicated solely to competitive intelligence. (Macedo Decl., Ex. 18; Melissa DeMarinis Dep. 185:7-186:23; Lizelle Valdecanas Dep. 49: 4-50:5 (acknowledging that "SCA was tracking what First Quality was doing as early as October 29, 2003"); Kenneth Strannemalm Dep. 136:23-137:14.) Additionally, SCA's claim that it is a foreign company unfamiliar with litigating in the United States is likewise not a legally cognizable excuse for its delay. *See Serdarevic*, 532 F.3d at 1360. While SCA is a Swedish-based company, since 2001 all of SCA's litigation in the United States has been overseen by U.S.-based general counsel. (Gorman Tr. 32-33.) In fact, SCA was represented by patent litigation counsel, Robert Grudziecki, in 2003-2004 when it accused First Quality of patent infringement. Additionally, the attorneys from Grudziecki's firm prosecuted the reexamination of the '646 patent on behalf of SCA from 2004-2007. Thus, SCA's delay in bringing suit because of its asserted unfamiliarity with the United States patent system is belied by its earlier representation by United States based patent attorneys that sent notice letters on SCA's behalf and is not a reasonable or excusable delay.

Finally, SCA's delay caused by its search for legal counsel is likewise not sufficient to overcome the presumption. "A claimant's inability to find counsel willing to litigate [its] claim does not constitute a reasonable excuse for the delay." *Bassali v. Johnson Controls, Inc.*, 2010 U.S. Dist. LEXIS 47466, 2010 WL 1923979, *5 (W.D. Mich. May 12, 2010). *See also Serdarevic*, 532 F.3d at 1360; *Hall*, 93 F.3d at 1554 (citing *Naxon Telesign Corp. v. Bunker Ramo Corp.*, 686 F.2d 1258, 1261 (7th Cir. 1982); *Wafer Shave Inc. v. Gillette Co.*, 857 F. Supp. 112, 120 (D. Mass.1993); *Coleman v. Corning Glass Works*, 619 F. Supp. 950, 954 (W.D.N.Y. 1985)).

Thus, SCA's stated reasons for delay in filing suit are legally insufficient to overcome the presumption of unreasonable delay.[1]

3. Material Prejudice

A claimant can also rebut the laches presumption by raising a genuine fact issue regarding the absence of prejudice to the adverse party. *See FMC Corp.*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033663, *5 (citing *Serdarevic*, 532 F.3d at 1359-60). "Material prejudice

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1. Even if the time period during which the SCA '646 Patent was being reexamined is not considered, there was a three year delay from the reexamination before SCA took any further action. Under the facts of this case, this delay alone would support a finding of unreasonable delay without the benefit of the presumption. *See Digital Systems International, Inc. v. Davox Co.*, 1993 U.S. Dist. LEXIS 20443, 1993 WL 664647, *3 (W.D. Wa. July 1, 1993).

to adverse parties resulting from the plaintiff's delay is essential to the laches defense." *Aukerman*, 960 F.2d at 1033. Material prejudice may be in the form of either or both economic and evidentiary prejudice. *FMC Corp.*, 2009 U.S. Dist. LEXIS 32950, 2009 WL 1033663, * 5 (D. N.J. April 17, 2009)(citing *A.C. Aukerman Co.*, 960 F.2d at 1033). "Economic prejudice occurs when the defendant 'will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit.'" *Bassali v. Johnson Controls, Inc.*, 2010 U.S. Dist. LEXIS 47466, 2010 WL 1923979, *5 (W.D. Mich. May 12, 2010)(citing *A.C. Aukerman Co.*, 960 F.2d at 1033). "Evidentiary prejudice may be established by demonstrating an 'inability to present a full and fair defense on the merits due to a loss of records, the death of a witness, or the unreliability of memories of long past events.'" *Id.* In either case, "the critical inquiry is whether the prejudice arises from the claimant's unreasonable delay in filing suit." *Id.*

SCA contends that it has come forward with evidence to rebut the presumption of economic prejudice. Specifically, SCA argues that a genuine factual dispute exists regarding a lack of nexus between the delay and the expenditures at issue. Specifically, SCA contends that there is ample evidence in the record to suggest that First Quality's capital expenditures in protective underwear lines and the acquisition of Tyco Healthcare Retail Group ("THRG") were directly related to its efforts to become a market leader in private label protective underwear, and First Quality would have made such expenditures in pursuit of its goal regardless of when

SCA brought this litigation. (SCA's Response at 23-25 (citing Moshe Opponheim Dep. 34-35).) SCA maintains that First Quality has not identified a single document that associates any business decision with any supposed delay by SCA in bringing suit or that First Quality would have acted differently had SCA sued earlier. Further, SCA contends that First Quality's maintenance of the status quo after the filing of the Complaint shows the speculative nature of its economic prejudice claims. (*Id.* at 22.) However, the Court finds none of these explanations and/or arguments provide a genuine issue of fact to rebut the presumption of laches.

First, the record demonstrates that during the seven-year delay First Quality made considerable capital investments and substantial expenditures in expanding its business. "In granting summary judgment to the alleged infringer on laches, courts usually have relied upon evidence of considerable capital investment or substantially increased sales." *Lautzenhiser Technologies*, 752 F. Supp. 2d at 1003-1004.[2] "Economic prejudice may arise where

2. *See also R2 Medical Systems v. Katecho, Inc.*, 931 F. Supp. 1397, 1411 (N.D. Ill. July 19, 1996); *Adelberg Laboratories, Inc. v. Miles, Inc.*, 921 F.2d 1267, 1272 (Fed. Cir. 1990) (during delay, defendant made considerable capital investments in expanding business); *ABB Robotics*, 828 F. Supp. at 1396 (granting summary judgment where alleged infringer enjoyed three-fold increase in sales of challenged device during period of delay); *Motorola, Inc. v. CBS, Inc.*, 672 F. Supp. 1033, 1037 (N.D. Ill. 1986) (ruling that Motorola could not overcome presumption of prejudice because CBS's sales of allegedly infringing product continued and expanded while Motorola delayed in bringing suit); *Manus v. Playworld Sys., Inc.*, 893 F. Supp. 8, 10 (E.D.

a defendant and possibly others will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit." *Aukerman*, 960 F.2d at 1033. Since 2006, First Quality purchased at least three new protective underwear lines for its King of Prussia facility alone, with its most recent line added in 2009 that cost in excess of $10 million dollars. (Macedo Decl., Ex. 36; Andrew Busch Dep. 23-24.) In 2008, First Quality purchased from Covidien, Ltd. ("Covidien") THRG which includes some of the product lines at issue in this litigation.

Contrary to the argument of SCA, while First Quality admits that it has continuously sought opportunities to expand its sales, SCA's delay in bringing an infringement action deprived First Quality of the opportunity to modify its business strategies. *Altech Controls Corp. v. EIL Instruments, Inc.*, 8 Fed. Appx. 941, 951 (Fed. Cir. 2001) (affirming summary judgment on laches defense where district court found that corporate "changes would have been structured differently had [the defendant] been aware

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Pa. 1995)(economic prejudice was shown with costs associated with increased production of accused article and marketing and capital expenditures over the ten-year delay in filing suit); 5 Chisum, *Patents*, § 19.05[2][c] (1996 Supp.) (noting there are very few cases when a lengthy period of unexcused delay escaped a laches finding because of proof of want of injury)). *See also Shell Global Solutions Inc. v. RMS Engineering, Inc.*, 782 F. Supp. 2d 317, 327-328 (S.D. Tex. 2011); *Technology for Energy Corp. v. Computational Systems, Inc.*, 1993 U.S. App. LEXIS 24556, 1993 WL 366350, *7-8 (finding economic prejudice where defendant expanded its business, including employees, sales, and research and development).

of a potential lawsuit by [the plaintiff]."); *Lautzenhiser Technologies*, 752 F. Supp. 2d at 1004 (rejecting plaintiff's argument that the "[defendants'] expenditures were mere garden-variety ventures in the ordinary course of business, and that no evidence suggests [defendants] would have altered their conduct had [the plaintiff] filed suit earlier" because "common sense suggests that Defendants would have modified their business strategies if they came under suit for infringement.") In the present case, Moshe Oppenheim, in-house counsel for First Quality, testified that First Quality would not have invested millions of dollars in acquiring and retooling the King of Prussia facility if it was embroiled in a lawsuit with SCA relating to these products. (Oppenheim Dep. 100-101.) *See Digital Systems*, 1993 U.S. Dist. LEXIS 20443, 1993 WL 664647, *3 (granting summary judgment of laches where DSI "offers unchallenged evidence of its investment in its business and its phenomenal growth" during the delay period and noting that "[even if only a part of DSI's expansion involves equipment allegedly infringing Davies' patents, DSI has been materially injured.") Similarly, Mr. Oppenheim testified that had SCA brought suit earlier, First Quality could have structured differently its acquisition of THRG which included some of the product lines at issue in this litigation. According to Mr. Oppenheim, First Quality could have either demanded that Covidien resolve all issues with respect to SCA's claims prior to the acquisition or foregone purchase of the product lines accused of infringement. (*Id.* at 89-95 ("Q: If SCA had sued First Quality prior to the acquisition of Covidien is it your testimony that First Quality would not have acquired Covidien? A: And my answer is that that is

one potential outcome that would have come of it. Other potential outcomes, so I can just be clear, we could have walked away from the deal like we did at one point . . .[or] carved out the protective underwear portion of the deal." *Id.* at 89-90.)). In fact, First Quality walked away from its acquisition of THRG at one point, and only returned to the bargaining table at Covidien's request. (Oppenheim Dep. 14-15.) Further, Mr. Oppenheim, who was responsible for managing and structuring the THRG acquisition, testified that avoidance of intellectual property issues was a key issue in the transaction. (*Id.* at 15-17.) The record reflects that in acquiring THRG, First Quality made the acquisition based on the understanding that all of THRG's product lines had a "clean bill of health." In fact, First Quality required Covidien to settle its outstanding patent disputes with Kimberly-Clark before completing the THRG acquisition. (*Id.* at 16.) First Quality also restructured the THRG acquisition as a result of Covidien's Mexican intellectual property liability purchasing only the assets of the Mexican facility. (*Id.* at 24-25.) Thus, if SCA had sued earlier, First Quality would not have aggressively expanded its adult incontinence line of products with the purchase of new product lines and THRG. It would have likely structured the acquisition of THRG differently requiring Covidien to settle any outstanding patent disputes. "[C]ommon sense suggests that [First Quality] would have modified [its] business strategies if [it] came under suit for infringement." *Lautzenhiser Technologies*, 752 F. Supp.2d at 1004.

For these reasons, the Court finds that SCA failed to present evidence sufficient to create a genuine issue of

material fact regarding the nonexistence of the presumed material prejudice and, as a result the presumption remains intact. *See Lautzenhiser Technologies*, 752 F. Supp. 2d at 1004. First Quality's laches defense is valid and the Court will not recognize any of SCA's claims of patent infringement against First Quality prior to the date of filing its claim of infringement on August 2, 2010.

B. Equitable Estoppel

Equitable estoppel may serve as an absolute bar to a patentee's claim of infringement. *Lautzenhiser Technologies*, 752 F. Supp. 2d at 1008 (citing *Scholle Corp. v. Blackhawk Molding Co.*, 133 F.3d 1469, 1471 (Fed. Cir.1998)). The equitable estoppel bar applies when:

> a. The patentee, through misleading conduct, leads the alleged infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer. "Conduct" may include specific statements, action, inaction, or silence when there was an obligation to speak.
>
> b. The alleged infringer relies on that conduct.
>
> c. Due to its reliance, the alleged infringer will be materially prejudiced if the patentee is allowed to proceed with its claim.

A.C. Aukerman Co., 960 F.2d at 1028. In contrast to laches, "'equitable estoppel focuses on the reasonableness of the

Defendant's conduct.'" *Lautzenhiser Technologies*, 752 F. Supp. 2d at 1008. "And, unlike laches, 'unreasonable delay' is not an element of estoppel and no presumption applies, meaning a party advancing an estoppel defense must prove each of the elements by a preponderance of the evidence." *Id.*

1. **Misleading Conduct**

"To prove the first element of equitable estoppel, the alleged infringer must prove that the patentee, through misleading conduct, has led the infringer to infer that it does not intend to enforce the patent." *Lautzenhiser Technologies*, 752 F. Supp. 2d at 1008-1009. The patentee's misleading conduct may include specific statements, actions, inaction, or silence. *Id.* at 1009 (citing *Gossen Corp. v. Marley Mouldings*, 977 F. Supp. 1346, 1353-54 (E.D. Wis. Aug. 20, 1997) (citing *ABB Robotics*, 52 F.3d at 1063)). According to the Federal Circuit in *Aukerman*:

> The patentee's conduct must have supported an inference that the patentee did not intend to press an infringement claim against the alleged infringer. It is clear, thus, that for equitable estoppel the alleged infringer cannot be unaware—as is possible under laches—of the patentee and/or its patent. The alleged infringer also must know or reasonably be able to infer that the patentee has known of the former's activities for some time. In the most common situation, the patentee specifically objects to the activities currently asserted as

> infringement in the suit and then does not follow up for years. In *Dwight & Lloyd Sintering*, Judge Learned Hand noted that estoppel was regularly based on "no further assurance [that a known competitor would not be sued than] the patentee's long inaction." 27 F.2d at 827. There is ample subsequent precedent that equitable estoppel may arise where, coupled with other factors, a patentee's "misleading conduct" is essentially misleading *inaction*.

A.C. Aukerman Co., 960 F.2d at 1042 (quoting *Dwight & Lloyd Sintering Co. v. Greenawalt*, 27 F.2d 823 (2d Cir. 1928)).

SCA unquestionably misled First Quality though its 2003 letter and subsequent inaction. *A.C. Aukerman Co.*, 960 F.2d at 1042; *Radio Systems Corp. v. Lalor*, 2012 U.S. Dist. LEXIS 8981, 2012 WL 254026, *7 (Jan. 26, 2012), *aff'd in part, rev'd in part*, 709 F.3d 1124 (Fed. Cir. 2013). It is undisputed that SCA first accused First Quality of infringing the '646 Patent in 2003. First Quality promptly responded to SCA's assertion letter in November of 2003, stating that the '646 Patent was invalid. SCA did not respond to the November letter. Instead, SCA wrote to First Quality in April of 2004 regarding a different product and a different patent. SCA did not mention the '646 Patent or the prior correspondence even after First Quality responded to SCA's second infringement assertion and referred to the earlier correspondence regarding the '646 Patent.

Appendix C

In an effort to raise a genuine dispute of fact, SCA argues that its conduct was not misleading because its October 31, 2003, letter did not threaten litigation but merely requested First Quality's "opinion" on the infringement issue. Initially, "threatened litigation is not an element of either laches or estoppel." *Digital Systems*, 1993 U.S. Dist. LEXIS 20443, 1993 WL 664647, *3. Additionally, the record reflects that prior to the October 2003 letter, SCA had completed its investigations of infringement. The letter informed First Quality that certain absorbent pants-type diapers made by First Quality infringe claims of the '646 Patent. SCA demanded First Quality's assurance that it would immediately stop making and selling such products. After reviewing the correspondence as a whole, the Court finds that the letter by SCA was reasonably viewed by First Quality as a threat of an infringement suit. *See, e.g., Aspex Eyewear, Inc. v. Clariti Eyewear, Inc.*, 605 F.3d 1305, 1311 (Fed. Cir. 2010)(rejecting plaintiffs' argument that its letters did not threaten suit because of the equivocal nature of the statements that its patents "may" cover some of the products, but were reasonably viewed by the defendant as a threat of an infringement suit).

Likewise, SCA's letter in April of 2004 to First Quality alleging infringement of a different patent, the '670 Patent, further supports the misleading nature of SCA's conduct. The April 2004 letter was sent five months after First Quality's response denying infringement of the '670 Patent. SCA did not mention the '646 Patent assertion at all, even after First Quality directed SCA's attention to the earlier letters. Whether this letter "is viewed as

a tacit withdrawal of the ['646 patent] or as misleading silence with respect to the ['646 patent], the result is the same, for it was reasonable for [First Quality] to infer that [SCA] was not continuing the accusation of infringement as to the ['646 patent]." *Aspex Eyewear*, 605 F.3d at 1311.

Accordingly, the Court finds that the evidence compels a reasonable fact finder to conclude that SCA engaged in misleading conduct supporting "an inference that the patentee did not intend to press an infringement claim against the alleged infringer." *A.C. Aukerman Co.*, 960 F.2d at 1042. Therefore, the first element of estoppel — misleading conduct — is satisfied.

2. Reliance

"A party invoking equitable estoppel must also prove reliance." *Lautzenhiser Technologies*, 752 F. Supp. 2d at 1009. Reliance, while not an element of laches, is essential to equitable estoppel. *Aukerman*, 960 F. 2d at 1042 (citing *Heckler v. Community Health Services*, 467 U.S. 51, 59, 104 S. Ct. 2218, 81 L. Ed. 2d 42 (1984)). "The accused infringer must show that, in fact, it substantially relied on the misleading conduct of the patentee in connection with taking some action." *Id.* at 1042-1043. "Reliance is not the same as prejudice or harm, although frequently confused." *Id.* at 1043. As explained by the court in *Aukerman*: "An infringer can build a plant being entirely unaware of the patent. As a result of infringement, the infringer may be unable to use the facility. Although harmed, the infringer could not show reliance on the patentee's conduct. To show reliance, the infringer must have had a relationship or

communication with the plaintiff which lulls the infringer into a sense of security in going ahead with building the plant." *Id.*

First Quality "relied on the misleading conduct of [SCA] in connection with taking some action." *Aukerman*, 960 F.2d at 1042-43. First Quality points to its acquisition of THRG in 2008 and its purchase of additional protective underwear lines since 2006 — some of the products which SCA claims infringe the '646 Patent. Specifically, Babak Demaghi testified that First Quality continued to manufacture and sell the accused products because of SCA's inactions: "The fact that we never heard back from SCA once we sent them [the November 23, 2003] letter that you have put in front of me . . . and as a result we did not consider it to be an issue because we did not know what, if any, issue existed for us to follow up on." (Babak Damaghi Dep at 62.) Further, Mr. Damaghi testified as follows:

> Q: . . . [W]as there any particular point in time when First Quality began to rely on no communications from SCA with respect to conducting its business for the sale of protective underwear?
>
> A: My answer is after sending [the November 23, 2003 letter] this letter this matter was never thought of again.

(*Id.* at 63-64.) Additionally, as discussed above, Mr. Oppenheim testified that First Quality would not have invested millions of dollars in acquiring and retooling the

King of Prussia facility if it was embroiled in a lawsuit with SCA relating to these products. (Oppenheim Dep. 100-101). Similarly, Mr. Oppenheim testified that had SCA brought suit earlier, First Quality could have structured its acquisition of THRG differently either demanding that Covidien resolve all issues with respect to SCA's claims prior to the acquisition or foregoing purchase of the product lines accused of infringement. (Oppenheim Dep. 89-95.) *See Aspex*, 605 F.3d at 1311-12.

In response, SCA argues that it is conceivable that First Quality relied not on SCA's inaction, but on First Quality's own belief that SCA's '646 Patent was invalid. It is undisputed that after receiving the 2003 letter from SCA, counsel for First Quality advised SCA that after a cursory review of the prior patents he believed that '646 Patent was invalid and therefore, First Quality was not infringing upon the '646 Patent. With the exception of this letter, SCA has not cited to any testimony or internal communications indicating that First Quality actually relied on a belief that '646 Patent was invalid. Notwithstanding, "[t]he fact that [the alleged infringer] may have relied in part on [it's attorney's] advice does not negate the fact that it also relied on the patentee's apparent abandonment of [its] infringement claim." *Wafer Shave, Inc.*, 857 F. Supp. 112, 123 (D. Mass. 1993)[3] (citing

3. "To find otherwise would encourage those accused of infringement not to seek legal advice, but to rely solely on a patentee's future conduct and to have faith that such conduct will prevent the patentee from succeeding in a lawsuit. Such a practice would injure the ability of alleged infringers to protect their legal rights, and discourage the efficient resolution of accusations of

MCV, Inc. v. King-Seeley Thermos Co., 870 F.2d 1568, 1573 (Fed. Cir. 1989) (inventor's position that co-inventor did not need to be named on patent was based on reliance on both his own interpretation and plaintiff/co-inventor's silence); *Advanced Hydraulics*, 525 F.2d at 479 (reliance on patentee's misleading conduct found even though infringer had also informed patentee that infringer's internal investigation had indicated that there was no infringement). At the very least, SCA "reinforced [First Quality's] opinion through their inaction." *Radio Systems Corp. v. Lalor*, 2012 U.S. Dist. LEXIS 8981, 2012 WL 254026, *9 (Jan. 26, 2012), *aff'd in relevant part*, 709 F.3d 1124 (Fed. Cir. 2013) (affirming district court's grant of summary judgment on equitable estoppel as it related to one patent). *See MCV, Inc.*, 870 F.2d at 1573; *Advanced Hydraulics, Inc. v. Otis Elevator Co.*, 525 F.2d 477, 479 (7th Cir. 1975) (concluding that alleged infringer relied on patentee's misleading conduct despite the fact that the infringer had also informed patentee that infringer's internal investigation had indicated that there was no infringement). *But see Hall*, 93 F.3d at 1558; *Gasser Chair Co., Inc. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 776 (Fed. Cir. 1995).

Finally, contrary to the argument by SCA, First Quality does not have to prove that it would have forgone its protective underwear business entirely to satisfy the reliance element. "[T]o show reliance on [a patentee's] silence and inaction, [an infringer] need not prove

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infringement which a fully informed, well-advised person would find meritorious, or at least too risky to litigate." *Wafer Shave, Inc.*, 857 F. Supp. at 123.

precisely what alternative paths it would have taken, or that every marketing decision was based on reliance on [the patentee's] silence." *Aspex Eyewear*, 605 F.3d at 1312.

Accordingly, no reasonable fact finder could conclude that First Quality did not rely on SCA's inaction. *Radio Systems Corp.*, 2012 U.S. Dist. LEXIS 8981, 2012 WL 254026, *9.

3. Material Prejudice

The requirement of material prejudice for equitable estoppel is identical to the requirement under laches. *See Aukerman*, 960 F.2d at 1043 ("[a]s with laches, the prejudice may be a change of economic position or loss of evidence."). "In evaluating whether economic, or business, prejudice has occurred, courts must 'look for a *change* in the economic position of the alleged infringer during the period of the delay.'" *Wafer Shave*, 857 F. Supp. at 125 (citing *Aukerman*, 960 F.2d at 1033).

As discussed above, during the seven years that SCA remained silent, First Quality suffered economic prejudice by making substantial capital investments, acquiring THRG from Covidien, and increasing its sales of the accused products. Additionally, just as the alleged infringer in *Wafer Shave*, First Quality lost the opportunity to limit its present exposure to substantial litigation costs and damages because it believed there was no longer a threat of litigation concerning the [patentee's] patent." *Id. See also Aukerman*, 960 F.2d at 1033 (noting that patentee may not "intentionally lie silently in wait

watching damages escalate . . . particularly where an infringer, if he had had notice, could have switched to a noninfringing product.") (citations omitted).

Applying these factors to the facts in the light most favorable to the non-moving party, the Court concludes that no genuine dispute of material fact exists and that First Quality is entitled to summary judgment as a matter of law on the defense of estoppel.

IV. CONCLUSION

For the reason set forth above, **IT IS HEREBY ORDERED** that the motion by Defendants First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., and First Quality Retail Services, LLC (collectively "First Quality") for summary judgment based on the doctrines of laches and equitable estoppel [DN 82, DN 83] is **GRANTED** and the motion by First Quality for a hearing on this motion for summary judgment [DN 84] is **DENIED. IT IS FURTHER ORDERED** that all remaining motions are **DENIED AS MOOT.** A Judgment shall be entered consistent with the Opinion.

/s/ Joseph H. McKinley, Jr.
Joseph H. McKinley, Jr., Chief Judge
United States District Court

July 15, 2013

Supreme Court, U.S.
FILED
MAR 2 2 2016
OFFICE OF THE CLERK

No. 15-927

IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,
Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY
HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC.,
AND FIRST QUALITY RETAIL SERVICES, LLC,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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QUESTION PRESENTED

Whether the court of appeals correctly held that § 282 of the Patent Act of 1952 codifies a laches defense that bars stale claims for damages.

CORPORATE DISCLOSURE STATEMENT

First Quality Baby Products, LLC; First Quality Hygienic, Inc.; First Quality Products, Inc.; and First Quality Retail Services, LLC are privately held companies, and no publicly held company owns 10% or more of the stock of any of them.

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IN THE

Supreme Court of the United States

No. 15-927

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,
Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY
HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC.,
AND FIRST QUALITY RETAIL SERVICES, LLC,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

INTRODUCTION

Every court of appeals to consider the question, including the Federal Circuit since its inception, has held that laches is available as a defense to patent infringement claims seeking damages. That conclusion is soundly based on the text of the Patent Act of 1952 and its legislative history and purpose. In 35 U.S.C. § 282, Congress codified existing unenforceability defenses to patent infringement, including laches. At that point, laches had been applied for over fifty years as a bar to recovering legal damages, not simply equitable relief,

and Congress codified that version of the defense. Since 1952, Congress has repeatedly modified § 282 and other relevant provisions of the patent laws without ever expressing any disagreement with the uniform consensus that laches is available to bar damages claims.

Petitioners SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. (collectively, "SCA") asked the Federal Circuit to discard that longstanding view based on a misreading of this Court's decision in *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), which held that the three-year statute of limitations in the Copyright Act forecloses judicial imposition of a laches defense to damages claims accruing within that period. Sitting en banc, the court of appeals rejected that argument for sound reasons that do not warrant this Court's review. The court correctly understood *Petrella* to rest on a concern for respecting congressional judgments about the timeliness of suit in copyright cases. Pet. App. 35a-36a. But Congress made a different judgment in the patent law. Before the 1952 Act, a laches defense to damages claims was available even *within* the six-year damages limitation period now codified at 35 U.S.C. § 286. Congress chose to retain both laches and the six-year period in the 1952 Act. It did so for sensible reasons that the court of appeals correctly did not second-guess. In these circumstances, it would "jettison Congress' judgment," *Petrella*, 134 S. Ct. at 1967, to substitute SCA's own view of how laches ought to work in patent litigation for the actual view that has prevailed for over a century.

Finally, even if the Court were inclined to consider whether § 282 codifies a laches defense to damages, this case would not be the appropriate vehicle for doing so.

Here, the district court held that SCA's dilatory conduct gave rise not only to laches but also to a complete equitable estoppel defense. Although the Federal Circuit remanded for additional factfinding on equitable estoppel (Pet. App. 85a-91a), an estoppel decision in First Quality's favor will moot the parties' laches dispute. If SCA is equitably estopped from enforcing the asserted patent against First Quality, it does not matter whether laches also bars SCA's claims. Irrespective of the laches issues, the district court must also address First Quality's pending summary judgment motions, which have been fully briefed and which similarly would resolve the entire case. And even if the laches question does not prove to be moot, the Court would be well-served to decline review at this time, given the interlocutory posture of the case.

STATUTES INVOLVED

The petition reproduces the current version of § 282, which "incorporates amendments by the America Invents Act that, due to later effective dates, are inapplicable to the instant case." Pet. App. 18a n.2. The version applicable here provided in relevant part:

> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> (1) Noninfringement, absence of liability for infringement or unenforceability,
>
> (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,

> (3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,
>
> (4) Any other fact or act made a defense by this title.

35 U.S.C. § 282 (2010). All citations in this brief refer to the 2010 version of § 282 unless otherwise noted.

STATEMENT

A. Factual Background

Respondents (collectively, "First Quality") and SCA are competitors in the market for adult incontinence and children's diaper products. On October 31, 2003, SCA accused First Quality of making and selling protective underwear products that allegedly infringed SCA's U.S. Patent No. 6,375,646 ("the '646 patent"). The letter asserted:

> It has come to our attention that you are making, selling and/or offering for sale in the United States absorbent pants-type diapers under the name Prevail® All Nites™. We believe that these products infringe claims of the [the '646 patent].
>
> We suggest that you study [the '646 patent]. If you are of the opinion that the First Quality Prevail® All Nites™ absorbent pants-type diaper does not infringe any of the claims of this patent, please provide us with an explanation as to why you believe the products do not infringe. If you believe that the products do infringe, please provide us with your assurance that you will immediately stop making and selling such products.

> Please provide us with your response before *November 21, 2003*.

C.A.J.A. 544; *see* Pet. App. 3a, 94a.

On November 21, 2003, First Quality responded to explain that its accused products could not infringe the '646 patent because that patent is invalid:

> [W]e made a cursory review of prior patents and located U.S. Patent No. 5,415,649, ("the '649 Patent"), which was filed in the United States on October 29, 1991 and is therefore prior to your client's '646 Patent. A review of Figs. 3 and 4 of the prior '649 Patent reveals the same diaper construction claimed by the '646 Patent. Thus, the prior '649 Patent invalidates your client's '646 Patent. As you know, an invalid patent cannot be infringed.

Pet. App. 4a, 95a.

SCA never again accused First Quality of infringing the '646 patent until it brought this lawsuit, nearly seven years after its initial letter.

Instead, in April 2004, SCA sent a second letter accusing a different First Quality product of allegedly infringing a different SCA patent. In that second letter, SCA did not mention its first letter or the '646 patent. Pet. App. 95a. First Quality responded in May 2004, referencing the parties' prior correspondence regarding the '646 patent and stating that it also did not infringe the second asserted SCA patent. SCA replied in July 2004, again without acknowledging the parties' earlier correspondence or mentioning the '646 patent. *Id.* 95a-96a. As a result of SCA's silence, First Quality "'did not consider [the '646 patent] to be an issue.'" *Id.* 116a (quoting deposition testimony of First Quality's execu-

tive officer); *see also id.* 4a ("[F]rom First Quality's point of view, SCA dropped its infringement allegations against First Quality after First Quality argued the ['646 patent] was invalid in the November 21st letter.").

After misleading First Quality into believing that it had dropped its infringement contentions based on the '646 patent, SCA initiated an ex parte reexamination of the patent at the Patent and Trademark Office in July 2004. Pet. App. 4a. SCA asked the Patent and Trademark Office to reexamine the patentability of the claims in the '646 patent in view of the prior art First Quality had cited in its November 21, 2003 letter. *Id.* (As First Quality later learned, SCA had long been aware of this prior art but had failed to bring it to the attention of the examiner during the initial prosecution of the '646 patent. C.A.J.A 879-880.) The reexamination took nearly three years. During that time, SCA kept close watch over First Quality's business, through "an entire department dedicated solely to competitive intelligence," which had "continuously tracked First Quality's activity since 2003." Pet. App. 104a. SCA acquired and analyzed First Quality products and advertisements, and kept abreast of First Quality's expansion plans. *See* C.A.J.A. 920, 923-927, 929-931, 939, 941-943, 945-946.[1] Yet it "is undisputed that SCA did not notify First Quality as to the existence of the reexamination proceeding" and that First Quality did not learn of it until after SCA filed this suit. Pet. App. 96a.

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[1] SCA's continuous monitoring of its competitors thus belies any suggestion that it lacked "the wherewithal to take on expensive litigation or police infringement." Pet. 28. Indeed, SCA is part of a global conglomerate with thousands of employees worldwide, billions of dollars in revenue, and in-house legal counsel in both Europe and the United States.

The Patent and Trademark Office concluded its ex parte reexamination in March 2007 and confirmed its view of the patentability of the '646 patent. Pet. App. 4a. SCA did not inform First Quality at that time (or for years afterwards). Instead, SCA again delayed.

Meanwhile, unaware of any continuing dispute about the '646 patent, First Quality invested substantial capital to expand its market share for protective underwear. Among other things, First Quality spent hundreds of millions of dollars between 2006 and 2009 to purchase new protective underwear lines and to acquire a subsidiary of Covidien Ltd. *See* Pet. App. 5a, 70a-71a, 107a-108a. Between 2004 and 2010, as a result of these business decisions and the success of its products, First Quality's sales from products now alleged to infringe the '646 patent increased eight-fold. C.A.J.A. 1085.

SCA brought this suit for infringement of the '646 patent on August 2, 2010—more than three years after the reexamination concluded, and nearly seven years after it accused First Quality of infringing the patent.

B. Proceedings Below

1. The district court granted summary judgment in favor of First Quality, finding that laches barred SCA from recovering damages that accrued before suit was filed and that equitable estoppel barred SCA's suit altogether. Pet. App. 111a, 120a. *First*, the district court found that laches barred pre-suit damages under a straightforward application of the Federal Circuit's en banc decision in *A.C. Aukerman Co.* v. *R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992). *Aukerman* recognized the viability of laches as a defense to a patent infringement suit for damages and

held that a rebuttable presumption of laches arises when suit is delayed for more than six years, as it was here. 960 F.2d at 1035-1036. Applying that presumption, the district court found that SCA failed to present evidence sufficient to create a genuine issue of fact regarding the unreasonableness of its delay and First Quality's economic prejudice resulting from that delay. Pet. App. 105a, 110a-111a.

On unreasonable delay, the court "reject[ed] SCA's argument that it needed more than three years [after the reexamination proceeding concluded] to determine whether it was appropriate to bring infringement claims against First Quality," given that "SCA had already completed its infringement analysis by October of 2003, when it sent the initial letter to First Quality" and SCA had "continuously tracked First Quality's activity since 2003." Pet. App. 104a. On economic prejudice, the court found that First Quality had made significant investments in its protective underwear business since SCA's 2003 letter and had been "deprived ... of the opportunity to modify its business strategies" in response to a potential suit. *Id.* 108a.

Second, the district court found that First Quality met each element of its equitable estoppel defense: a misleading communication or omission, reliance on that misleading communication or omission, and resulting prejudice. Pet. App. 111a. Specifically, "SCA unquestionably misled First Quality through its 2003 letter and subsequent inaction," and First Quality relied on SCA's inaction in expanding its protective underwear business. *Id.* 113a, 116a-119a. First Quality "suffered economic prejudice by making substantial capital investments, acquiring [a subsidiary] from Covidien, and increasing its sales of the accused products," while

"'los[ing] the opportunity to limit its present exposure to substantial litigation costs and damages because it believed there was no longer a threat of litigation concerning the [patentee's] patent.'" *Id.* 119a (quoting *Wafer Shave, Inc.* v. *Gillette Co.*, 857 F. Supp. 112, 125 (D. Mass. 1993)) (alteration in original). Finding no issue of material fact on any of the elements, the district court granted summary judgment to First Quality on equitable estoppel, which "serve[d] as an absolute bar to [SCA's] claim of infringement." *Id.* 111a.

Finally, the court denied as moot First Quality's two other pending motions for summary judgement, both on grounds of non-infringement.

2. The Federal Circuit affirmed the district court's holding regarding laches but reversed regarding equitable estoppel. In considering laches, the panel noted that *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), left *Aukerman* intact.[2] Applying *Aukerman*, the panel agreed with the district court that "SCA should have been prepared to reassert its rights against First Quality shortly after the '646 patent emerged from reexamination," and that "SCA

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[2] In *Petrella*, the Court observed in a footnote that *Aukerman* had "held that laches can bar damages incurred prior to the commencement of suit, but not injunctive relief," and that the Court had "not had occasion to review the Federal Circuit's position." 134 S. Ct. at 1974 n.15. SCA makes much of that footnote (*e.g.*, Pet. i, 2-3), but this Court's decision not to address the Patent Act did not suggest any infirmity in the Federal Circuit's position that laches is cognizable under 35 U.S.C. § 282 to bar legal damages. If anything, the *Petrella* footnote indicates that the analysis of the Patent Act might be different from the analysis of the Copyright Act, which it is. *See infra* pp. 23-27. Further, *Petrella*'s reference to *Aukerman*'s ruling on injunctive relief is moot now that the decision below clarified the availability of laches to bar injunctive relief. Pet. App. 39a-41a.

failed to rebut the presumption that First Quality suffered economic harm." Pet. App. 79a, 81a.

Regarding equitable estoppel, the panel found that genuine issues of material fact remained "as to whether SCA made a misleading communication to First Quality" through its silence and "whether First Quality relied on its own opinion that the '646 Patent was invalid ... rather than relying on SCA's silence." Pet. App. 89a, 90a.

3. The Federal Circuit reheard the case en banc to consider whether laches remained a viable defense to a patent infringement suit for damages after *Petrella*.[3] The Federal Circuit answered in the affirmative, repeating its decades-old recognition that Congress codified a laches defense in 35 U.S.C. § 282. Pet. App. 18a-23a. Thus, the court explained, applying laches as a defense to patent damages claims does not offend the separation of powers or any congressional judgment about timeliness, as was at issue in *Petrella* in the copyright context (where laches had no statutory basis). *Id.* 35a-36a. The en banc court also reconfirmed that the codified laches defense in § 282 bars legal, as well as equitable, relief. Though "Congress remained silent on the content of the laches defense" (*id.* 26a), "Congress's purpose in enacting the [1952] Patent Act was to codify the prevailing law" (*id.* 25a), which, in 1952, allowed laches to preclude recovery of legal damages. *Id.* 29a. The en banc Federal Circuit also held that, contrary to *Aukerman*'s bright-line rule that laches may only bar pre-suit damages, laches may be considered in fashioning appropriate injunctive relief, though "equity nor-

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[3] In its petition for rehearing en banc, SCA also asked the Federal Circuit to reconsider the laches presumption, but the court declined to do so. *See infra* pp. 29-30.

mally dictates that courts award ongoing royalties, despite laches." *Id.* 42a. Although five judges dissented from the principal laches holding, they joined this section of the majority opinion.

Finally, the en banc court reinstated the panel opinion's reversal of the district court's grant of summary judgment on equitable estoppel and remanded the case to the district court for proceedings consistent with the opinion. Pet. App. 44a. SCA did not seek a stay of the Federal Circuit's mandate, and the mandate issued on October 26, 2015. C.A. Dkt. 259.

4. Nearly three months later, SCA moved in the district court for a stay pending proceedings in this Court. Dist. Ct. Dkt. 139. First Quality opposed that request, explaining that further proceedings on equitable estoppel—as contemplated by the remand order—will be necessary regardless of this Court's disposition of the present petition. Dist. Ct. Dkt. 140. First Quality also asked the district court to rule on First Quality's pending non-infringement motions, which had been mooted when the district court previously granted summary judgment on laches and equitable estoppel grounds. As of the filing of this brief, SCA's motion for a stay remains pending.

REASONS FOR DENYING THE PETITION

I. THE INTERLOCUTORY POSTURE OF THIS CASE MAKES IT A POOR VEHICLE TO REVIEW THE QUESTION PRESENTED

The interlocutory posture of this case weighs heavily against granting review. The case has been remanded to the district court, where First Quality will proceed on its other defenses. Those ongoing proceedings may well render the laches question moot, or of

limited significance to the resolution of the parties' dispute. Nor is there any compelling reason to review this case notwithstanding its interlocutory status. SCA will be free to seek review of the laches question after final judgment, if the issue remains in contention.

First, the laches dispute will be moot if SCA is equitably estopped from pursuing its claims. Equitable estoppel "acts as a complete bar to a patentee's infringement claim." Pet. App. 73a. It thus not only (like laches) bars recovery of damages for past infringement but also (unlike laches) bars recovery for ongoing or future infringement. *Id.* 43a-44a ("Laches bars legal relief," and "may ... counsel against an injunction," but "absent extraordinary circumstances, laches does not preclude an ongoing royalty."). Moreover, SCA does not and cannot argue that the question presented has any bearing on First Quality's equitable estoppel defense. *Petrella* reaffirmed the availability of equitable estoppel as a defense in copyright litigation and, *a fortiori*, did not call it into question in patent litigation. *See Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1977 (2014) (equitable estoppel "may bar the copyright owner's claims completely, eliminating all potential remedies"). If First Quality prevails on its equitable estoppel defense, the question whether laches also bars SCA from recovering pre-suit damages will be academic. Further, it is likely that First Quality will prevail, and quickly, on an equitable estoppel defense. Discovery is complete, and the issue is ready to be resolved after a short bench trial. *Supra* pp. 8-9, 11.

Second, the laches dispute will also become moot (or significantly narrowed) if First Quality prevails on its other defenses to liability—including that it does not infringe the '646 patent. Two motions concerning non-

infringement have been fully briefed and are ripe for decision by the district court. One motion, if granted, would resolve the entire case, mooting the laches dispute.[4] The other, if granted, would limit the scope of SCA's infringement claims from nine product categories to one. Dist. Ct. Dkt. 98-1, at 1. SCA is thus entirely wrong to suggest that laches "conclusively" ends any part of this litigation (Pet. 29), which will necessarily proceed as to First Quality's multiple other defenses in any event.

In these circumstances, granting review would be, at best, premature. *See* Shapiro et al., *Supreme Court Practice* 285 (10th ed. 2013) ("Substantial progress toward a final decision creates the possibility that the issues before the Supreme Court will become moot and lessens the likelihood that a Supreme Court ruling will save the parties and the courts from wasted effort."). Indeed, it is this Court's usual practice to deny interlocutory review. *E.g.*, *Virginia Military Inst.* v. *United States*, 508 U.S. 946, 946 (1993) (statement of Scalia, J., respecting denial of the petition for certiorari) ("We generally await final judgment in the lower courts before exercising our certiorari jurisdiction."). This is true even where the question presented involves constitutional questions of great import (as this petition assuredly does not). *See, e.g.*, *Mount Soledad Mem'l Ass'n* v. *Trunk*, 132 S. Ct. 2535, 2535, 2536 (2012) (statement of Alito, J., respecting the denial of the petitions for certiorari) (agreeing with denial of petitions

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[4] The potentially dispositive motion is a *Daubert* motion contending that portions of SCA's expert testimony should be excluded. Dist. Ct. Dkt. 96-1. First Quality contends that, without this testimony, SCA will be left without evidence of infringement, First Quality will be entitled to summary judgment on all claims, and the laches dispute will be moot. *See id.* at 1-2.

because "no final judgment has been rendered and it remains unclear precisely what action the Federal Government will be required to take," despite belief that "[t]his Court's Establishment Clause jurisprudence is undoubtedly in need of clarity").

There is no reason to depart from the Court's usual practice here. This case does not present an important issue that is "fundamental to the further conduct of the case," *Supreme Court Practice* 283, such as a preliminary injunction producing "immediate consequences" for the petitioner, *see, e.g.*, *Mazurek* v. *Armstrong*, 520 U.S. 968, 975 (1997) (per curiam), or the certification of a class, *see, e.g.*, *Wal-Mart Stores, Inc.* v. *Dukes*, 131 S. Ct. 2541, 2549-2550 (2011). Here, regardless of the viability of laches as a defense, the parties will continue to litigate the separate issues of non-infringement, validity, and equitable estoppel. If the laches question has any continuing significance after final resolution of the parties' entire dispute in the lower courts, SCA may seek this Court's review at that time. *Supreme Court Practice* 285 ("Denial of certiorari at the interlocutory stage of a proceeding is without prejudice to renewal of the questions presented when certiorari is later sought from the final judgment, assuming the questions are properly preserved in the lower courts after the initial denial.").

Finally, granting review now will not serve to "hasten or finally resolve the litigation." *Supreme Court Practice* 285. As explained above, this litigation will proceed on First Quality's estoppel and non-infringement defenses (as well as potentially other liability issues) regardless of whether or not laches applies. Granting review may in fact delay the case, as SCA seeks a stay in the district court pending proceed-

ings in this Court. Denying the petition, on the other hand, will ensure that the case progresses and that the laches question will be presented to this Court only if it remains a live controversy.

In short, this case presents no unusual factor warranting departure from this Court's normal practice of denying interlocutory review.

II. THE DECISION BELOW IS CORRECT

A. Congress Codified A Laches Defense To Damages Claims In § 282

The Court's review is also unnecessary and unwarranted because the decision below is correct. At bottom, that decision was an unexceptional exercise in statutory interpretation: The court of appeals reconfirmed its longstanding view that "Congress codified a laches defense" in § 282 of the Patent Act of 1952, and that the defense as Congress codified it "may bar legal remedies." Pet. App. 2a. Laches had been available to bar infringement claims seeking damages, whether at law or in equity, for decades prior to 1952, and Congress did not intend to alter that status quo. To the contrary, all the available evidence—the statute's text and purpose, the legislative record, and contemporary commentary—supports the Federal Circuit's conclusion that § 282 preserves a form of laches that may bar stale damages claims. That understanding has now prevailed for decades, during which time Congress has repeatedly amended the patent laws, including § 282, without ever disagreeing. The court of appeals was thus well justified in rejecting SCA's invitation to displace Congress' judgment and jettison the laches defense at this late date.

1. The court of appeals began by determining "that Congress codified a laches defense" in § 282 of the Patent Act of 1952. Pet. App. 18a-23a. The prior statute had listed five defenses, but an exhaustive catalog was impractical. *See, e.g.*, 4 *Walker on Patents* § 887E, at 2772-2789 (Deller's ed., 1937) (listing twenty-five recognized defenses, including laches). In § 282, rather than attempting to enumerate every specific defense, Congress "broadly set[] out" entire "categories of defenses" (Pet. App. 19a), including "[n]oninfringement, absence of liability for infringement or unenforceability," Pub. L. No. 82-593, § 282, 66 Stat. 792, 812 (1952).

Laches comfortably falls within the broad terms of § 282. For example, laches was understood at the time as an "unenforceability" defense. *See, e.g.*, *Ford* v. *Huff*, 296 F. 652, 657-658 (5th Cir. 1924) (patent was "render[ed] unenforceable" by plaintiff's "estoppel and laches"); *Richardson* v. *D.M. Osborne & Co.*, 93 F. 828, 830 (2d Cir. 1899) (laches defense is premised on "the inequity which would result if the stale claim was permitted to be enforced"); *cf. United States* v. *New Orleans Pac. Ry. Co.*, 248 U.S. 507, 511 (1919) (trust agreement was "unenforceable by reason of inexcusable laches").[5] Under "a well-established rule of construction" that the court of appeals correctly applied, Congress must be presumed to have meant "'to incorporate the established meaning'" of the terms it used, where those terms "'have accumulated settled meaning.'" *Neder* v. *United States*, 527 U.S. 1, 21 (1999). Indeed, in *Microsoft Corp.* v. *i4i Limited Partnership*, this Court already applied that rule to other language in § 282 of

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[5] The same is still true. *See, e.g., Ultimax Cement Mfg. Corp.* v. *CTS Cement Mfg. Corp.*, 587 F.3d 1339, 1348 (Fed. Cir. 2009) (patent was "unenforceable due to laches").

the 1952 Act, concluding that Congress "meant to incorporate 'the cluster of ideas' attached to the common-law term[s]" it employed there. 131 S. Ct. 2238, 2247 (2011). Here, the presumption and reality are that Congress intended to preserve, not eliminate, laches.

In addition to flowing straightforwardly from the words Congress used, the Federal Circuit's conclusion is also bolstered by other evidence of legislative intent. The central purpose of the 1952 Act was to restate existing law. *See* H.R. Rep. No. 82-1923, at 3 (1952) (explaining "the main purpose of codification and enactment of title 35 into law, with only some minor procedural and other changes"). As to § 282, both the House and Senate Reports confirm Congress' purpose of restating infringement defenses "in general terms," without "materially changing the substance" of any defense. *Id.* at 10; *see* S. Rep. No. 82-1979, at 9 (1952) (same); *see also* 98 Cong. Rec. 9323, 9323 (1952) (statement of Sen. McCarran) (similar).

Finally, the court of appeals noted that, in a widely cited commentary on the 1952 Act, P.J. Federico confirmed that the general categories of defenses in § 282 were intended to "'include ... *equitable defenses such as laches*, estoppel and unclean hands.'" Pet. App. 20a (citing preface to 1954 edition of Title 35 of the United States Code, reprinted as Federico, *Commentary on the New Patent Act*, 75 J. Pat. & Trademark Off. Soc'y 161, 215 (1993)). SCA criticizes the Federal Circuit for supposedly treating Federico's commentary as "legislative history"—indeed, that appears to be one of its principal claims of error (Pet. 15, 21-22)—but that charge is baseless. Federico was a "principal draftsman of the 1952 recodification," *Diamond* v. *Chakrabarty*, 447 U.S. 303, 309 n.6 (1980), and the court of appeals

merely accorded his views the persuasive weight to which they are entitled, as this Court has done, *see Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 342 n.8 (1961) (citing the same commentary).[6]

SCA also insists that § 282 "makes no mention of laches." Pet. 19. However, as detailed above, Congress substituted general terms for specifically enumerated defenses. That is why § 282 also makes no mention of other well-recognized grounds for unenforceability, such as equitable estoppel, inequitable conduct, and prosecution laches. *See, e.g., Symbol Techs., Inc.* v. *Lemelson Med., Educ. & Research Found., LP*, 277 F.3d 1361, 1366 (Fed. Cir. 2002); *J.P. Stevens & Co.* v. *Lex Tex Ltd.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984). Congress need not "reiterate ... expressly" all the common-law understandings it incorporates when it uses broad terms with "'accumulated settled meaning.'" *i4i*, 131 S. Ct. at 2246.

2. The "critical question" below was thus not whether § 282 codified some form of laches—the answer can only be yes—but rather whether the defense "as codified in the 1952 Patent Act bar[s] recovery of legal relief." Pet. App. 23a. "Following a review of the relevant common law" and statutory framework, the court of appeals concluded that laches "operated as a defense to legal relief" before 1952 and that Congress intended to adopt that consensus understanding. *Id.*

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[6] Federico, then serving as Examiner-in-Chief of the Patent Office, "wrote the first draft of the Act himself," at the request of legislators, and "actively participated for the next two years in every detail of its revisions." *Paulik* v. *Rizkalla*, 760 F.2d 1270, 1277 (Fed. Cir. 1985) (Rich, J., concurring). His views offer "'invaluable insight'" into the Act and have been considered "countless times" by numerous courts. Pet. App. 21a (collecting cases).

34a. That conclusion is well-grounded in the history of the patent laws, which SCA fails to address. For decades prior to the 1952 Act, Congress had already provided statutory mechanisms for a patentee to seek an award of damages in equity, and for an accused infringer to raise equitable defenses at law. As a result, the courts of appeals that considered the question before 1952 had uniformly applied laches to bar stale infringement damages claims, whether at law or in equity. Congress codified that understanding.

Traditionally, as the Federal Circuit explained, a patentee could either seek an injunction and an accounting of the infringer's profits in equity, or damages at law to compensate the patentee for its losses. *See Robert Bosch, LLC* v. *Pylon Mfg. Corp.*, 719 F.3d 1305, 1309-1314 (Fed. Cir. 2013) (en banc) (historical overview of equitable accounting). In the Patent Act of 1870, however, Congress abolished that distinction and "gave equity courts the authority to award legal damages" in patent cases. Pet. App. 27a (citing Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206). An "accounting" then came to refer to the overall calculation in equity of both profits and damages. *Id.* 29a. Congress later permitted the award of "reasonable" damages if actual damages were "not susceptible of calculation," Pub. L. No. 67-147, § 8, 42 Stat. 389, 392 (1922), and equity courts were thus awarding the same "reasonable royalty" damages as are available today, 35 U.S.C. § 284.

During this timeframe, Congress also permitted equitable defenses to be raised to bar actions at law, including infringement suits. Prior to those reforms, an accused infringer sued at law could raise an equitable defense only by filing a separate "bill in equity to enjoin the ... suit at law until the equitable defense was decid-

ed." *A.C. Aukerman Co.* v. *R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1031 n.10 (Fed. Cir. 1992) (en banc). But Congress amended the Judicial Code in 1915 to permit equitable defenses to be interposed directly as barriers to legal relief. Pet. App. 27a (citing Pub. L. No. 63-278, 38 Stat. 956, 956 (1915)). Congress thereby "transformed matter which was only defensive in an equity suit, into a defense to the law action." Clark & Moore, *A New Federal Civil Procedure*, 44 Yale L.J. 387, 427-428 (1935).

Against this backdrop, pre-1952 patent courts routinely applied laches to bar stale damages claims—however pleaded. Pet. App. 29a-30a, 32a (collecting cases); *Aukerman*, 960 F.2d at 1029 n.6 (same). That uniform judicial consensus included cases brought as actions at law, where laches was raised as a successful defense under the 1915 amendments described above. *E.g.*, *Universal Coin Lock Co.* v. *American Sanitary Lock Co.*, 104 F.2d 781, 781 (7th Cir. 1939); *Banker* v. *Ford Motor Co.*, 69 F.2d 665, 666 (3d Cir. 1934); *Ford*, 296 F. at 657. It also included cases in which the patentee sought damages in equity. *E.g.*, *Lukens Steel Co.* v. *American Locomotive Co.*, 197 F.2d 939, 940, 941 (2d Cir. 1952); *Montgomery Ward & Co.* v. *Clair*, 123 F.2d 878, 883 (8th Cir. 1941); *Union Shipbuilding Co.* v. *Boston Iron & Metal Co.*, 93 F.2d 781, 783 (4th Cir. 1938); *Gillons* v. *Shell Co. of Cal.*, 86 F.2d 600, 608 (9th Cir. 1936); *George J. Meyer Mfg. Co.* v. *Miller Mfg. Co.*, 24 F.2d 505, 508 (7th Cir. 1928).[7] Contemporary treatises confirm the point, teaching that laches is available

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[7] This Court also applied laches to bar a stale infringement claim, brought as a bill in equity, in which the plaintiff had been awarded $3,667 in an accounting. *Lane & Bodley Co.* v. *Locke*, 150 U.S. 193, 194, 201 (1893).

to bar both equitable and legal damages remedies. *See* 4 *Walker*, *supra*, § 880B, at 2658 ("Where the plaintiff is chargeable with laches, he cannot recover the damages he has suffered nor the profits defendant has gained.").

The Federal Circuit was right to conclude, after canvassing these authorities, that the laches defense as it existed in 1952 operated "to bar legal relief" (*i.e.*, damages) and that Congress codified that understanding in § 282 of the 1952 Act. Pet. App. 34a. That was the uniform understanding of the courts and the bar at the time. Indeed, SCA has never been able to "identify a single appellate-level patent infringement case stating—much less holding—that laches is inapplicable to legal damages." *Id.* 33a. SCA cites *Middleton* v. *Wiley*, 195 F.2d 844 (8th Cir. 1952), and a district-court decision as though they reflected a "circuit split" (Pet. 24), but that is wishful thinking. The latter could hardly create a circuit split, and the former "merely states that the elements of laches were not proven in that case" on its particular facts. Pet. App. 32a n.9; *see Middleton*, 195 F.2d at 847.

SCA also attempts to dismiss the pre-1952 case law applying laches to bar damages claims as "vague," wrongly decided, or limited to damages in equity. Pet. 23. But it is SCA which fails to grasp pre-1952 patent law and practice. Congress had purposefully eliminated any "sharp distinction between legal and equitable actions for damages" or between "the defenses that were available" to an accused infringer in a suit for damages. Pet. App. 34a. Absent strong evidence to the contrary—evidence SCA does not have—Congress should not be presumed to have surreptitiously changed course in 1952, limiting laches in a way no court of appeals had ever previously done.

The text of the 1952 Act suggests quite the opposite: Congress chose to make unenforceability a defense "in *any* action," not merely equitable proceedings. 35 U.S.C. § 282 (emphasis added). "Read naturally, the word 'any' has an expansive meaning[.]" *United States* v. *Gonzalez*, 520 U.S. 1, 5 (1997). Moreover, the purpose of the 1952 Act was to restate existing law except where changes were conspicuously noted. *Supra* p. 17. Congress expressed no special limitations on the unenforceability defenses it codified, including laches, and none should be read into the statute now.

3. The history of patent law since 1952 further confirms the correctness of the decision below. "Without exception, all circuits recognized laches as a defense to a charge of patent infringement," including damages claims, in the thirty-year period between passage of the 1952 Act and creation of the Federal Circuit. *Aukerman*, 960 F.2d at 1030; *see, e.g.*, *Continental Coatings Corp.* v. *Metco, Inc.*, 464 F.2d 1375, 1379 (7th Cir. 1972) (Stevens, J.) (patentee "lost the right to recover damages for past infringement" due to laches); *Studiengesellschaft Kohle mbH* v. *Eastman Kodak Co.*, 616 F.2d 1315, 1325-1326 (5th Cir. 1980) (collecting cases). Since its inception, the Federal Circuit has likewise understood the Patent Act to preserve laches as a defense to damages claims. *Aukerman*, 960 F.2d at 1032 & n.11 (collecting cases). It confirmed that view unanimously in *Aukerman*. *See id.* at 1032; *id.* at 1046 (Plager, J., concurring in part and dissenting in part on other grounds).

During those decades, Congress "has often amended § 282," *id.*, 131 S. Ct. at 2252, while leaving untouched this settled understanding of laches. Indeed, as recently as the Leahy-Smith America Invents Act—the most significant reworking of patent law since the

1952 Act—Congress reorganized § 282 and eliminated another defense the statute had previously permitted, without so much as hinting at any disagreement with the Federal Circuit's interpretation. Pub. L. No. 112-29, § 15(a), 125 Stat. 284, 328 (2011) (abolishing the "best mode" defense); *id.* § 20(g)(2)(B), 125 Stat. at 334 (conforming amendment reenacting "unenforceability" defense in § 282); *see also, e.g.*, *North Star Steel Co.* v. *Thomas*, 515 U.S. 29, 34 (1995) (presumption that Congress is aware of relevant precedents and "'expect[s] its enactment[s] to be interpreted in conformity with them'"); *Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2410-2411 (2015) (noting Congress' "continual reworking of the patent laws," and expressing particular reluctance to "unsettle stable law" in this area). Everything the Court said in *i4i* is thus fully applicable to laches: Now that Congress "has allowed the Federal Circuit's correct interpretation of § 282 to stand" for more than thirty years, "[a]ny re-calibration" of laches must be left to Congress. *i4i*, 131 S. Ct. at 2252.

B. *Petrella* Does Not Support A Contrary Reading Of The Patent Act

SCA urged the court of appeals to overturn over a century of settled laches precedent based on a misreading of *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), and a misunderstanding of § 286 of the Patent Act. SCA describes the latter as a "six-year statute of limitations." Pet. 15. In fact, § 286 is not a statute of limitations; it does not bar suit outright, nor does it suggest that Congress meant to displace the common law's consequences where a plaintiff delays suit despite actual knowledge of the accused conduct, to the detriment of the defendant. Rather, § 286 operates only to limit the damages that may be recovered if the

patent is found to be valid and infringed.[8] But even if § 286 were equivalent to a statute of limitations, the court of appeals was entirely correct to reject SCA's view. The court recognized and applied *Petrella*'s central lesson that Congress' judgment about the timeliness of claims must be given effect. It simply concluded that Congress made a different judgment in the Patent Act from the one made in the Copyright Act, by retaining both the six-year damages limitation and laches as a defense even within that period. Congress had ample reason to do so, given the substantial differences between patent and copyright law. In any event, that reading of the Patent Act is neither novel nor inconsistent with *Petrella*, nor is it otherwise worthy of this Court's review.

1. *Petrella* addressed "whether the equitable defense of laches" could "bar relief on a copyright infringement claim brought within" the three-year limitations period specified in the Copyright Act. 134 S. Ct. at 1967. It was undisputed that "[l]aches in copyright cases" was "'entirely a judicial creation,'" without any statutory basis. *Id.* at 1972; *see* Resp. Br. 15, *Petrella*, No. 12-1315 (U.S. Dec. 16, 2013) (citing federal courts'

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[8] The statute provides in pertinent part that "[e]xcept as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." 35 U.S.C. § 286. The Federal Circuit declined to rest its decision on the distinction between § 286 and a statute of limitations, such as the one at issue in *Petrella* (Pet. App. 17a-18a), but that distinction provides yet another reason to deny review. Section 286 is akin to a statute of repose; as this Court has recognized, there are meaningful differences between statutes of repose and statutes of limitations in interpreting congressional intent. *See, e.g.*, *CTS Corp.* v. *Waldburger*, 134 S. Ct. 2175, 2186-2187 (2014) (federal statute preempted state statutes of limitation but not statutes of repose).

"inherent equitable powers"). In that circumstance, the "controlling time prescription[]" was the statute of limitations itself, in which Congress had already "take[n] account of delay" in bringing suit. 134 S. Ct. at 1970, 1973. The Court held that applying a judicially-created laches defense to bar suits accruing within the limitations period was tantamount to "jettison[ing] Congress' judgment on the timeliness of suit." *Id.* at 1967.

Petrella thus rests on a concern for respecting the "separation of powers." Pet. App. 35a. But that very principle *supports* the decision below. In the Patent Act, unlike the Copyright Act, Congress "codified a laches defenses" and intended to preserve laches as "a viable defense to legal relief in patent law." *Id.* 36a. The Federal Circuit was thus not free to "jettison Congress' judgment" that a laches defense to damages claims is appropriate in the patent context. *Petrella*, 134 S. Ct. at 1967. The court of appeals properly rejected SCA's invitation to the court to "'substitute [its] own views for those expressed by Congress'" in the 1952 Act. Pet. App. 36a (quoting *Mobil Oil Corp.* v. *Higginbotham*, 436 U.S. 618, 626 (1978)).

SCA resists this settled interpretation of § 282, arguing that the court of appeals should instead have "give[n] primacy to the language of" § 286. Pet. 19. But § 286 by its terms does not limit or even address the availability of a laches defense. It is materially identical in relevant part to a predecessor statute dating to 1897, which applied equally to actions at law and in equity, and which coexisted for over fifty years with a laches defense to damages claims prior to the 1952 Act. *Auker-man*, 960 F.2d at 1030 & n.9 (citing Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 692, 694); *see, e.g.*, *Gillons*, 86 F.2d at 606, 610-611 (applying laches within six-year period).

SCA does not attempt to reconcile its view with this uniform pre-1952 consensus. It suggests instead that every patent decision applying laches to bar damages claims before the 1952 Act was incorrectly decided because "the common law was that laches cannot bar claims for legal relief" unless "Congress has not enacted a limitations period." Pet. 22. To be sure, the "principal application" of laches is to protect against stale equitable claims "for which the Legislature has provided no fixed time limitation." *Petrella*, 134 S. Ct. at 1973. But that is merely a common law default; nothing prevented Congress from codifying and continuing the defense's application to damages claims, even within a prescribed time limit for recovery under such claims. The courts of appeals uniformly understood Congress to have done just that in its reforms to the patent statutes prior to 1952, Congress codified that understanding, and Congress has not seen fit to disturb it since then.

The decision below did not rest on any improper "patent law exceptionalism." Pet. 27. As this Court recognized in *Petrella*, Congress also made a different judgment about laches and damages in the trademark infringement context in the Lanham Act. 134 S. Ct. at 1974 n.15. The fact that the Lanham Act mentions laches by name, whereas the Patent Act includes it under the broad umbrella of "unenforceability," does not change the fact that the patent law is hardly alone in retaining laches. Outside the intellectual property context, laches may also bar some otherwise timely filed hostile work environment claims under the Civil Rights Act. *Id.* at 1975 n.16 (discussing *National R.R. Passenger Corp.* v. *Morgan*, 536 U.S. 101 (2002)); *see also id.* at 1984-1985 (Breyer, J., dissenting) (additional examples).

Because the Patent Act provides the "controlling time prescriptions," including laches, *Petrella*, 134 S. Ct. at 1970, this case is quite unlike other recent decisions to which SCA wrongly compares it. Pet. 20. None of SCA's cases involved any comparable statutory interpretation—one that long predates even the Federal Circuit itself.

2. Although not central to its decision, the court of appeals also observed that "one major difference between copyright and patent law bears mention: copyright infringement requires evidence of copying, but innocence is no defense to patent infringement." Pet. App. 37a. That distinction may well explain why Congress chose to codify a laches defense to damages in one context but not the other.

As the court below elaborated, because copyright infringement requires copying, *see, e.g.*, *Feist Publ'ns, Inc.* v. *Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991), an accused infringer can be liable only if it had access to the copyrighted work. A copyright defendant will therefore typically have had some notice of its potential liability, an opportunity to "estimate its exposure in making [any] initial investment decision," and a chance to accumulate and preserve "evidence of independent creation" to defend against any subsequent infringement claims. Pet. App. 37a. Not so in patent law: Copying is not an element of patent infringement. 35 U.S.C. § 271(a). Making, using, or selling the patented invention constitutes direct infringement even if the infringer is unaware that the patent exists. *See Global-Tech Appliances, Inc.* v. *SEB S.A.*, 131 S. Ct. 2060, 2065 n.2 (2011) ("[A] direct infringer's knowledge or intent is irrelevant.").

Absent laches, nothing prevents a patentee from sitting silently on its rights while an innocent infringer invests substantial time and resources to independently develop and commercialize a product, "only to have [the] patentee emerge six years later to seek the most profitable six years of revenues." Pet. App. 38a. Under SCA's rule, "innovators [would] have no safeguards against tardy claims demanding a portion of their commercial success." *Id.* Worse, the defendant may well have locked itself into using the infringing technology, even though an alternative technology could easily have been substituted had the defendant received timely notice of the potential infringement. Indeed, that is precisely what happened here. Because of SCA's delay, First Quality was foreclosed from pursuing different business strategies to avoid the allegedly infringing products, which would have been available had SCA timely asserted its infringement claims. *See id.* 109a ("First Quality would not have invested millions of dollars in acquiring and retooling [one of its facilities] if it was embroiled in a lawsuit with SCA relating to [the allegedly infringing] products."); *id.* 109a-110a ("First Quality could have either demanded that Covidien resolve all issues with respect to SCA's claims prior to [First Quality's] acquisition [of Covidien's subsidiary] or foregone purchase of the product lines accused of infringement.").

Those very real practical concerns are why *amici* "encompassing industries as diverse as biotechnology, electronics, manufacturing, pharmaceuticals, software, agriculture, apparel, health care, telecommunications, and finance" all "overwhelmingly" urged the court of appeals to confirm that laches remains an available defense under the Patent Act. Pet. App. 38a. These *amici* also pointed to other pertinent distinctions between

copyright and patent law—distinctions which the court of appeals did not discuss but which further support its decision. The Copyright Act, for example, provides for various deductions to any award of damages to permit an infringer to "retain the return on investment shown to be attributable to its own enterprise." *Petrella*, 134 S. Ct. at 1973 (citing 17 U.S.C. § 504(b)). The Patent Act contains no analogous mechanism to account for the investment an infringer may have made during the patentee's delay in bringing suit.

C. The Six-Year Presumption Of Laches Is Not Separately Worthy Of Review

SCA suggests in places that the Court should grant the petition to review whether laches should presumptively apply when, as here, the patentee delays suit for more than six years. Pet. i, 15, 24-26. SCA describes that as the "Federal Circuit's" presumption (Pet. 25), but in fact it well predates the creation of the Federal Circuit. *See, e.g.*, *Eastman Kodak*, 616 F.2d at 1326 (5th Cir.) (collecting cases). SCA also does not accurately describe the operation of the presumption, which is hardly "rigid." Pet. 25. First, the presumption may be rebutted by the patentee, although SCA failed to do so here. Pet. App. 105a, 110a-111a. Second, while a court is *permitted* to find the "undue delay and prejudice" elements of the laches defense satisfied if the presumption applies, the court is never *required* to do so. *Aukerman*, 960 F.2d at 1036. Laches always "remains an equitable judgment of the trial court in light of all the circumstances." *Id.*

At all events, whether laches should be presumed when, as here, a patentee sits on its rights for more than six years is not a question independently worthy of this Court's review. The Federal Circuit declined

SCA's request to review that question en banc. *See* SCA C.A. Reh'g Pet. 2, 12-13; Pet. App. 7a-8a. The presumption is settled law and is not inconsistent with any decision of this Court—including *Petrella*, which did not address how to apply laches.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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SUMMARY OF REPLY

For more than thirty years, the Federal Circuit has recognized and applied an aberrant laches doctrine, permitting courts to use the equitable laches defense to truncate Congressionally-prescribed limitations periods. Two years ago, in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), this Court rejected that practice in the copyright setting, but reserved judgment on its legitimacy in cases such as this one involving patents. *Id.* at 1974 n.15. Following the Court's decision in *Petrella*, the Federal Circuit sitting en banc selected *this case* as the proper vehicle to render its definitive ruling on the question left open in *Petrella*, and thereby announce a rule that binds not only itself but all of the federal district courts sitting in patent cases. After fully vetting the issue with the assistance of nineteen amicus briefs from forty amici, the court below in a 6–5 split decision over a vigorous dissent declined to conform its practice in the patent setting with this Court's holding in the copyright context. Pet. App. 1a–66a. Because this case squarely presents an important issue involving a conflict between this Court's precedent and the Federal Circuit's, and there are no unusual or disqualifying vehicle issues, certiorari is warranted.

There is a clear conflict between *Petrella* and the en banc decision below, involving a critically important question of law. The Federal Circuit's decision in this case has been widely reported, widely criticized, and remains a focal point of intense controversy. Illustrating its importance, the ABA quickly took up the issue for review, and on February

8, 2016, the ABA House of Delegates passed Resolution 108B (Reply App. 1a),[1] which states:

> RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period (35 U.S.C. § 286) as limiting availability of the judicially created laches defense as a bar to legal damages for patent infringement; and
>
> FURTHER RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period as not limiting availability of laches as a defense where equitable relief is sought.

ABA, FINAL RESOLUTION 108B (2016), Reply App. 1a. The ABA Report accompanying the resolution [hereinafter "ABA Report 108B"] concluded that the Federal Circuit's decision below "cannot be reconciled with the Supreme Court's reasoning in *Petrella*: If Congress has expressly spoken regarding the appropriate period for legal damages, a judge-made laches defense cannot stand." Reply App. 7a.

Respondents' opposition to the petition simply repeats the arguments of the Federal Circuit's bare

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[1] *See* ABA, http://www.americanbar.org/news/reporter_resources/midyear-meeting-2016/house-of-delegates-resolutions/108b. html (last visited Apr. 4, 2016).

majority—arguments that conflict with this Court's precedents. The decision is the latest example of patent law exceptionalism at the Federal Circuit, a practice that this Court has criticized on several occasions. *See, e.g.*, Pet. 20–21. Respondents urge the Court to delay review of this important issue, but they cannot point to any reason why further factual development in this case or further legal developments in other cases would sharpen the issue for the Court. The Federal Circuit selected this case as the vehicle to render its definitive ruling on laches in the patent setting, and this case is the appropriate vehicle for this Court's review. No court of appeals other than the Federal Circuit has jurisdiction to address the question presented, so there is no occasion for allowing percolation in the lower federal appellate courts. The issue is now as fully ripe as it will ever be. Certiorari is warranted.

ARGUMENT

I. THERE IS A CLEAR CONFLICT BETWEEN THE EN BANC DECISION AND *PETRELLA*.

Respondents cannot plausibly deny that the decision below conflicts with the reasoning of *Petrella*. Instead, they seek to draw support for their position from certain lower court rulings, arguing from them that a new common law rule developed for patent law somewhere between the 1915 passage of legislation relating to the merger of law and equity jurisdiction and the 1952 compilation of the patent laws. Respondents argue on the basis of this analysis that

Congress adopted a patent law exception for laches *sub silentio* when it enacted the 1952 version of 35 U.S.C. § 282. Opp. 15–23. There are four reasons why this line of reasoning is deeply flawed.

First, Respondents' mode of statutory construction turns the law on its head: they seek to interpret the federal statutory patent scheme not on what the relevant statutory text says or means, but rather on the basis of what some lower courts did before the text was enacted. Along the way, they misconstrue the prior judge-made practice by ignoring this Court's relevant precedents. At common law, laches was no defense to a claim for legal damages, as this Court's cases illustrate. *Petrella*, 134 S. Ct. at 1965. Yet Respondents argue here, in a case involving legal damages, that Congress chose regional circuit law over this Court's precedents and that Congress did so without ever referring to the pertinent case law. Opp. 15–23. This makes no sense. As ABA Report 108B notes: "Following the canon of statutory interpretation that a statute is presumed to retain the substance of the common law, [*United States v. Mack*, 295 U.S. 480, 489 (1935)] strongly suggests that congressional enactment of Section 282 did not implicitly preserve laches as a defense to legal damages. The inclusion of a six-year damages window in Section 286 only reinforces that conclusion." Reply App. 8a.

Respondents' reliance on *Microsoft Corp. v. i4i Limited Partnership*, 131 S. Ct. 2238 (2011), is misplaced. Opp. 16–18, 22–23. In *Microsoft*, this Court interpreted the Patent Act in light of settled

principles that this Court itself had followed previously, including those articulated in *Radio Corporation of America v. Radio Engineering Laboratories, Inc.*, 293 U.S. 1 (1934). *Microsoft*, 131 S. Ct. at 2245. *Microsoft* simply does not stand for Respondents' odd proposition that deference is somehow owed to lower court decisions that actually conflict with the prior precedents of this Court. Again, as this Court has repeatedly stated, the equitable doctrine of laches simply cannot be used to bar timely claims for legal damages.

Second, this Court has made clear more generally that the merger of law and equity did not change the common law. The interposition of equitable defenses in actions at law authorized under Judicial Code § 274b in 1915 was merely a procedural development. *See Enelow v. New York Life Ins. Co.*, 293 U.S. 379, 382 (1935), *overruled on other grounds by Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 387 (1988) (discussing Act of Mar. 3, 1915, ch. 90, § 274b, 38 Stat. 956 (repealed 1938) and noting: "When the Congress enacted section 274b the procedure was simplified, but the substance of the authorized intervention of equity was not altered."). Although the lower courts have from time to time confused the issue, this Court has never wavered in requiring that courts respect the substantive division between law and equity, which reflects the time-honored principle that equity follows the law. *See, e.g., Petrella*, 134 S. Ct. at 1973 (citing *Holmberg v. Armbrecht*, 327 U.S. 392 (1946); *Merck & Co. v. Reynolds*, 559 U.S. 633 (2010); *County of Oneida v. Oneida Indian Nation of N. Y.*, 470 U.S. 226 (1985)).

The Court did so most recently in *Petrella* in the context of copyright law and should do so once again here.

Third, there was no uniform consensus during the period between 1915 and 1952 with respect to the application of laches to claims for legal patent damages. Many of the cases Respondents cite were ambiguous as to whether the court was applying laches to bar legal damages or an equitable accounting, and, at most, they reflect a split of authority between cases that Respondents cite and cases such as *Middleton v. Wiley*, 195 F.2d 844 (8th Cir. 1952), cited in the Petition. *See* Pet. 24; *see also* Pet. 55a–64a (as noted by the dissent: "Nearly all of these decisions either apply laches under a misinterpretation § 274(b) of the Judicial Code, mention laches in dicta, or apply laches to bar a claim brought in equity The discussion of laches in these cases does not clearly demonstrate that in 1952 laches was available to bar a claim for legal damages in a civil action." Pet. App. 59a).

Respondents attempt to bolster their argument for a pre-1952 "consensus" by relying on a contemporaneous treatise, the 1937 edition of Walker on Patents [hereinafter "Walker"]. Opp. 20–21. Yet, Walker explicitly states: "*Laches is a defense which is peculiar to courts of equity.*" 3 WALKER ON PATENTS § 575 at 1877 (Anthony William Deller ed., 1937) (emphasis added). In delineating the defenses to patent infringement claims, Walker instructs: "The twenty-eight defenses which may be made to actions at law for infringement of patents [Section 656 of this

book], may all be made in suits in equity based on such causes, and the latter suits are also liable to two other defenses. These are non-jurisdiction of equity and laches." *Id.* § 570 at 1870.[2] If anything, Walker supports the view that it was hornbook law that laches was *not* available as a defense to claims for legal damages.

Fourth, Respondents argue that the legislative history supports their position because the word "unenforceability" appears in § 282 and had an "accumulated settled meaning" in 1952 that incorporated the doctrine of laches. Opp. 16. But Respondents cite only three cases in support of their theory on "settled meaning," one of which is not a patent case and another of which does not even mention the term "unenforceability." *Id.* (citing *United States v. New Orleans Pac. Ry. Co.*, 248 U.S. 507, 511 (1919) (not patent case); *Richardson v. D.M. Osborne & Co.*, 93 F. 828, 830 (2d Cir. 1899) (does not mention unenforceability)). Like the majority opinion below. Respondents rely heavily on a comment from P.J. Federico, but in the process place far too much weight on an entirely ambiguous passage. As ABA Report 108B points out:

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[2] Respondents also rely on language found in Section 880B of Walker (Opp. 21), which appears under the title "Pleading, Practice and Forms." That section merely sets out the procedure and elements for establishing the laches defense where it is available, *i.e.*, in equity. 4 WALKER ON PATENTS § 880B at 2658.

> Section 282(b)(1) is entirely silent on whether laches was intended to be a defense to legal damages. The majority instead relies on a treatise to show that one of the statute's drafters believed that laches was implicitly included within Section 282(b)(1). At best, that treatise is silent on the critical question: whether Congress intended to make laches a defense to *legal damages*. It is entirely plausible that the statute's drafter was merely confirming that laches could continue to bar equitable relief in some instances.

Reply App. 8a. In short, there is far too little in the legislative history to support the view that Congress intended to abrogate this Court's precedents on the availability of laches as a defense to a claim for legal damages, especially in the face of the enactment of a statutory limitations period plainly applicable to such claims.

II. THIS CASE IS THE PROPER VEHICLE TO RESOLVE THE LACHES QUESTION.

The Federal Circuit selected this case to render its definitive ruling on the use of laches as a defense in patent cases, and this Court should do the same. SCA seeks back damages, forward damages, and injunctive relief, the three possible forms of relief subject to a laches defense. This case thus presents all the permutations of the question presented in one

package, making it a complete and proper vehicle for review on a decidedly important question.

The Court plainly has jurisdiction to hear the case under 28 U.S.C. § 1254(1). Moreover, the Court's precedents establish that where, as here, a lower court has conclusively decided an important legal issue, but a final judgment on other issues in the case has not yet been rendered, "there is no absolute bar to review " *Mazurek v. Armstrong*, 520 U.S. 968, 975 (1997) (citing *Estelle v. Gamble*, 429 U.S. 97, 98 (1976); *United States v. General Motors Corp.*, 323 U.S. 373, 377 (1945); R. STERN, E. GRESSMAN, S. SHAPIRO, & K. GELLER, SUPREME COURT PRACTICE § 4.18 (7th ed. 1993)). On the contrary. the Court has frequently granted review of non-final or interlocutory decisions that raise important issues with widespread impact on other cases. *See, e.g., Nat'l Meat Ass'n v. Harris*, 132 S. Ct. 965 (2012); *Wal-Mart Stores, Inc. v. Dukes*, 131 S. Ct. 2541, 2549 (2011) (granting certiorari after "[a] divided en banc Court of Appeals substantially affirmed the District Court's certification order"); *Rent-A-Center, West, Inc. v. Jackson*, 561 U.S. 63 (2010); *Kawasaki Kisen Kaisha Ltd. v. Regal-Beloit Corp.*, 561 U.S. 89 (2010).

In this instance, the Federal Circuit "has decided an important question of federal law that has not been, but should be, settled by this Court," and "has decided an important federal question in a way that conflicts with relevant decisions of this Court." SUP CT. R. 10. Among other things, this case has received widespread attention in the press, highlighting its importance to not only the bar, but also business

interests across the nation and the world. *See, e.g.*, Dennis Crouch, *Federal Circuit Defies Supreme Court in Laches Holding*, PATENTLY-O (Sept. 21, 2014), http://patentlyo.com/patent/2014/09/federal-supreme-holding.html; Sarah Bro, *"Raging Bull" and the Patent Act: Laches Still Available in Patent Cases SCA Hygiene Products v. First Quality Baby Products*, THE NATIONAL LAW REVIEW (Nov. 2, 2015), http://www.natlawreview.com/article/raging-bull-and-patent-act-laches-still-available-patent-cases-sca-hygiene-products.

The vast majority of patent cases involve claims for back damages, making laches an issue of profound significance. Lower courts have applied laches to bar claims even where the delay was much less than the six years provided in § 286—sometimes when the delay was as short as five months. *See, e.g.*, *Romag Fasteners, Inc. v. Fossil, Inc.*, 29 F. Supp. 3d 85, 99–100 (D. Conn. 2014); *see also Lucent Techs. v. Microsoft Corp.*, 544 F. Supp. 2d 1080, 1098 (S.D. Cal. 2008) (laches defense surviving summary judgment because five-month delay "might be considered unreasonable"). This Court has never approved the Federal Circuit's uniquely broad application of the laches doctrine, which encourages the very kind of rushed or premature litigation that *Petrella* criticized. Reply App. 9a–10a. Further, it is well-known that patent infringement actions "are among the most costly and complex to litigate," and that "[t]he Federal Circuit's retention and expansion of the laches defense runs contrary" to the trend in patent law reform to "reduce the volume and costliness of infringement litigation." *Id.* at 10a. Moreover, if left

unchecked, the Federal Circuit's invigoration of the laches defense in this case "would have a disproportionate and negative effect on manufacturing patent owners and research universities," causing them more harm than non-practicing entities. *Id.*

Respondents urge the Court to duck the issue presented here, but the issue will not go away, and the time has come to review the Federal Circuit's aberrant laches jurisprudence. No further factual development is required and no further legal development is possible, given the Federal Circuit's monopoly on patent appeals. Respondents imply that this case might be mooted by developments below, but that is not possible. The district court has taken no further action in the case, perhaps in light of this request for review, and has set no trial date. Even if judgment were entered tomorrow, SCA would appeal, and that appeal would be pending through the disposition of any proceedings in this Court. There are innumerable district court patent cases in which laches is currently being litigated; the issue is not going away. Further delay in resolving the question would only ignite needless appellate litigation covering the same ground travelled already in this proceeding. This case has highly motivated parties and experienced counsel who handled the en banc appeal below as well as the proceedings in *Petrella* before this Court. The question presented is important, recurring, squarely presented on a sufficient record, and ripe for immediate review. Certiorari is warranted.

CONCLUSION

Petitioners respectfully request that the Court grant their petition.

Respectfully submitted,

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Dated: April 5, 2016

APPENDIX

APPENDIX A — FINAL RESOLUTION 108B OF THE AMERICAN BAR ASSOCIATION, ADOPTED FEBRUARY 8, 2016

RESOLUTION

RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period (35 U.S.C. § 286) as limiting availability of the judicially created laches defense as a bar to legal damages for patent infringement; and

FURTHER RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period as not limiting availability of laches as a defense where equitable relief is sought.

APPENDIX B — PROPOSED RESOLUTION 108B AND REPORT OF THE AMERICAN BAR ASSOCIATION

AMERICAN BAR ASSOCIATION

ADOPTED BY THE HOUSE OF DELEGATES

FEBRUARY 8, 2016

RESOLUTION

RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period (35 U.S.C. § 286) as limiting availability of the judicially created laches defense as a bar to legal damages for patent infringement; and

FURTHER RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period as not limiting availability of laches as a defense where equitable relief is sought.

Appendix B **108B**

REPORT

This report concerns the scope of the judicially created laches defense in patent infringement litigation—under what circumstances can a patent rights holder's unreasonable, prejudicial delay in commencing suit bar relief on a patent infringement claim?

A divided *en banc* Federal Circuit recently preserved the laches defense for patent cases even though Congress has created a statutory six-year damages period. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, No. 2013–1564, 2015 WL 5474261, ___ F.3d ___ (Fed. Cir. Sept. 18, 2015). That decision appears to conflict with at least the U.S. Supreme Court's reasoning in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), which held the laches defense in the copyright context was limited by a statutory three-year copyright damages period. *See* 17 U.S.C. § 507(b). Because both the Copyright Statutes and the Patent Statutes limit the damages recovery periods similarly, and because there is no convincing justification for treating them differently, the judicially created laches defense must give way to congressional enactment of these statutory damages periods.

This Resolution asks the ABA House of Delegates to approve policy supporting application of the *Supreme Court's Petrella decision in the patent context so that the doctrine of laches (1) would no longer be applied to bar pre-suit legal damages in patent cases during the* statutory six-year damages period, *but (2) would* be available under extraordinary circumstances to

curtail claims for injunctive relief and other prospective equitable relief. *This policy recommendation is driven not only by applicable precedent, but also by core values of our legal system (in particular deference to statutes enacted by Congress, and policies favoring non-litigation resolutions to legal disputes).*

A. *The Supreme Court's Decision in Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014)

In *Petrella*, the Supreme Court held that the judicially created laches defense must give way if Congress provided a limiting statutory damages period. 134 S. Ct. at 1967–68. The Court held laches could not bar legal damages for acts of copyright infringement occurring within the three-year statutory look-back period, regardless of how long ago the copyright owner first learned of the infringement. *Id.* at 1981. Thus, delay in bringing suit forfeits only damages for infringement occurring outside the three-year look back window, but not those for infringement occurring within that window.

The Court explained laches was developed by courts of equity and its "principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation" 134 S. Ct. at 1973. The Court emphasized laches serves a gap filling, not legislation overriding, purpose. *Id.* at 1974. If a statutory damages limitation period exists for legal relief, such legislation cannot be disregarded: "To the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period, however, courts are not at

liberty to jettison Congress' judgment on the timeliness of suit." *Id.* at 1967.

In a footnote, the Court declined to reach whether its holding would also apply to patents. *Id.* at 1974 n.15. The Patent Act provides a similar, albeit longer, six-year look-back period for recovering infringement damages. 35 U.S.C. § 286. Long before *Petrella*, however, in *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (*en banc*) ("*Aukerman*") the Federal Circuit rejected the argument that the judicially created laches defense cannot bar legal damages because it conflicts with the Patent Acts' look-back period. *Id. at* 1029–31.

In extraordinary circumstances, laches may limit awards of *equitable* relief—the grant of an injunction.

B. *The Federal Circuit's En Banc SCA Hygiene Decision*

After *Petrella* was decided, the Federal Circuit revisited *Aukerman*. Sitting *en banc*, a divided court held that the rule articulated in *Petrella* does not apply to patent law to bar legal remedies. *SCA Hygiene*, 2015 WL 5474261, at *1. While acknowledging that Section 286 is the sort of explicit temporal damages limitation that the U.S. Supreme Court suggested would preclude the applicability of laches, the Federal Circuit concluded that the unique history of the Patent Statute compelled a different rule for patent law. *Id.* at *3–7. According to the majority, Congress had intended to preserve laches as a defense

to damages when it enacted 35 U.S.C. § 282(b)(1), and therefore the reasoning of *Petrella* does not apply to patent law. *Id.* at *3.

The Federal Circuit relied on the comments of one of the primary statutory drafters of the 1952 Patent Act, stating that he intended to preserve equitable defenses, which includes laches. *Id.* at *8. The court also looked to judicial practice in patent cases prior to 1952 to determine whether laches could reach legal damages. The court concluded there was a consensus among the circuit courts by 1952, which was that laches could bar legal damages as well as equitable relief. *Id.* at *9–13.

The Federal Circuit then addressed potential policy concerns. Patent infringers are strictly liable for direct infringement. Copyright infringers are held liable only if there is at least some evidence of intentional copying. This distinction favored the application of laches to patent law, according to the court, because unwitting patent infringers can incur substantial damages during the period of delay and miss the opportunity to adopt non-infringing alternatives. *Id.* at *14–15. The court also noted that that the amici overwhelmingly favored retaining laches as a defense. *Id.* at *15.

Finally, the court unanimously held the laches defense could bar ongoing injunctive relief, noting that the remedy already incorporates equitable considerations—including but not limited to delay—that lie at the heart of the laches analysis. *Id.* at *15–17. It further held that in "egregious" or "extraordinary" circumstances, a laches defense could also bar ongoing royalty damages. *Id.* at *16.

C. *SCA Hygiene* and *Aukerman* are irreconcilable with *Petrella*

SCA Hygiene and *Aukerman* both conclude that a laches defense can bar a patentee's claim for pre-suit damages during the six-year damages recovery period of Section 286. These decisions cannot be reconciled with the Supreme Court's reasoning in *Petrella*: If Congress has expressly spoken regarding the appropriate period for legal damages, a judge-made laches defense cannot stand. Just as the copyright damages recovery period statute reflects Congress's judgment that a claim for copyright infringement is not too old if brought within three years, Section 286 demonstrates Congress's judgment that a claim for patent infringement is not too old if brought within six years. Because Congress has spoken on the issue, laches should never bar patent infringement damages within the six-year window provided by Section 286.

In attempting to distinguish *Petrella*'s reasoning, the *SCA Hygiene* majority principally relies on its reading of the legislative history and related historical record. According to the majority, Congress implicitly intended to preserve laches as a defense when it codified "unenforceability" as a defense to infringement in 35 U.S.C. § 282(b)(1). Also, circuit courts prior to 1952 had applied laches as a defense to claims for legal remedies, when the statute was adopted and therefore, it was appropriate to presume that Congress had preserved that status quo.

However, Section 282(b)(1) is entirely silent on whether laches was intended to be a defense to legal damages. The majority instead relies on a treatise to show that one of the statute's drafters believed that laches was implicitly included within Section 282(b)(1). At best, that treatise is silent on the critical question: whether Congress intended to make laches a defense to *legal damages*. It is entirely plausible that the statute's drafter was merely confirming that laches could continue to bar equitable relief in some instances.

The *SCA Hygiene* majority ignores clear Supreme Court precedent—predating the 1952 statute—providing that "[l]aches within the term of the statute of limitations is no defense at law." *United States v. Mack*, 295 U.S. 480, 489 (1935). Following the canon of statutory interpretation that a statute is presumed to retain the substance of the common law, *Mack* strongly suggests that congressional enactment of Section 282 did not implicitly preserve laches as a defense to legal damages. The inclusion of a six-year damages window in Section 286 only reinforces that conclusion.

In *Aukerman*, the Federal Circuit sought to distinguish the limitation prescribed by Section 286 as "an arbitrary limitation on the period for which damages may be awarded on any claim for patent infringement" from laches, which the court said "invokes the discretionary power of the district court to limit the defendant's liability for infringement by reason of the equities between the particular parties." 960 F.2d at 1030. The court reasoned that the two limitations could coexist because

"[n]othing in section 286 suggests that Congress intended by reenactment of this damages limitation to eliminate the long recognized defense of laches or to take away a district court's equitable powers in connection with patent cases." *Id.*

The Supreme Court rejected a similar argument in *Petrella*. The majority observed that the merger of law and equity did not change the substantive and remedial principles that were in effect before 1938. "Both before and after the merger of law and equity in 1938, this Court has cautioned against invoking laches to bar legal relief." 134 S. Ct. at 1973. Permitting individual judges to have discretion in setting the limitations period would upset that uniformity that Congress sought by prescribing a statutory limitations period for copyright infringement.

The Federal Circuit's attempt to identify historical differences between copyright law and patent law is unconvincing, and does not provide sufficient basis to distinguish the reasoning of *Petrella*.

D. *Sound Judicial Policy Counsels Against Applying Laches to Patent Damages*

Limiting application of the laches defense is sound public policy. Adhering to the six-year damages recovery period of Section 286 gives patent rights holders and accused infringers time to resolve disputes before filing patent infringement litigation. Conversely, if the laches defense is more widely available (including during the six-year damages recovery period), patent litigation may be filed

more quickly. Under the Federal Circuit's *SCA Hygiene* decision, rational patent holders may fear that any delay could lead to laches (and the risk having the bulk of damages related to the infringement stripped away). Such an incentive is contrary to the long-held judicial policy favoring out-of-court dispute resolution.

That policy has particular salience in the context of patent infringement disputes, which are among the most costly and complex to litigate. Modern patent reform has largely been animated by a desire to reduce the volume and costliness of infringement litigation. The Federal Circuit's retention and expansion of the laches defense runs contrary to that trend.

Invigorating the laches defense, as the Federal Circuit appears to have done with its *SCA Hygiene* decision, would have a disproportionate and negative effect on manufacturing patent owners and research universities. Manufacturing patent owners often view patent litigation as a last resort, preferring instead to focus on business and market place competition. Similarly, universities often seek industry partnerships instead of litigation. Such entities often have large patent portfolios, making it more challenging to actively "police" infringement. The availability of laches during the statutory six-year patent damages period would likely harm to manufacturing patent owners and universities more than non-practicing entities.

Finally, courts have other tools for policing bad actors during the six-year damages limitations period established

by 35 U.S.C. § 286. Equitable estoppel remains available if a patentee engages in misleading conduct—including but not limited to delay—that causes the infringer to believe that the patentee will not assert its patent rights, and where such conduct causes prejudice. Because equitable estoppel requires more than delay, it does not create the perverse incentives that exist with laches.

For these reasons, the Section of Intellectual Property Law believes its recommendation is consistent with the law and represents sound public policy, and therefore urges its adoption by the ABA House of Delegates.

Respectfully submitted,

Theodore H. Davis Jr., Chair
Section of Intellectual Property Law
February 2016

108B *Appendix B*

GENERAL INFORMATION FORM

Submitting Entity: Section of Intellectual Property Law

Submitted by: Theodore H. Davis Jr., Section Chair

1. Summary of Resolution

   The Resolution expresses Association policy in support of a clarification of the law relating to the judicially created laches defense to patent infringement. Congress enacted a statutory six-year patent damages period (35 U.S.C. § 286). This limits availability of a laches defense as a bar to legal damages for patent infringement within that six-year period. Of course, laches would still be a defense where equitable relief is sought (such as injunctive relief and ongoing royalties). This is consistent with the U.S. Supreme Court's treatment of the same defense in the copyright context.

2. Approval by Submitting Entity

   The Section Council approved the resolution on November 6, 2015.

3. Has this or a similar resolution been submitted to the House of Delegates or Board of Governors previously?

   No.

4. What existing Association policies are relevant to this Resolution and would they be affected by its adoption?

None.

5. What urgency exists which requires action at this meeting of the House?

The policy would provide authority for the ABA to express views should it decide to file an amicus curiae brief relating to an expected petition for writ of certiorari or on the merits before the U.S. Supreme Court in the case of *SCA Hygiene Products AB v. First Quality Baby Products LLC*, Appeal No. 13–1564, or another judicial proceeding presenting the same or similar issues regarding the scope of the laches defense in patent infringement suits.

6. Status of Legislation. (If applicable)

Not applicable.

7. Brief explanation regarding plans for implementation of the policy, if adopted by the House of Delegates

The policy would support submission of an amicus curiae brief on behalf of the ABA relating to a petition for writ of certiorari or on the merits before the U.S. Supreme Court in the case of *SCA Hygiene Products AB v. First Quality Baby Products LLC*, Appeal No. 13–1564, or another judicial proceeding presenting the same or similar issues regarding the scope of the laches defense in patent infringement suits.

8. Cost to the Association (both direct and indirect costs)

   Adoption of the recommendations would not result in additional direct or indirect costs to the Association.

9. Disclosure of Interest

   There are no known conflicts of interest with regard to this recommendation.

10. Referrals

    This recommendation is being distributed to each of the Sections and Divisions and Standing Committees of the Association.

11. Contact Person (prior to meeting)

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12. Contact Persons (who will present the report to the House)

    Susan Barbieri Montgomery (See item 11 above).

EXECUTIVE SUMMARY

1. Summary of the Resolution

The Resolution expresses ABA policy in support of a clarification of the law relating to the judicially created laches defense to patent infringement. Congress enacted a statutory six-year patent damages period (35 U.S.C. § 286). That statutory provision limits the availability of the laches defense, which cannot bar legal damages for patent infringement within that six-year damages period authorized by Congress. Of course, laches remains available as a defense where equitable relief is sought (such as injunctive relief and ongoing royalties). This is consistent with the U.S. Supreme Court's treatment of the same defense in the copyright context.

2. Summary of the Issue that the Resolution Addresses

The U.S. Supreme Court eliminated the laches defense for copyright cases in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014). The Court reasoned that the judicially created laches defense must give way to the statutory three-year damages period in copyright. However, on September 18, 2015, the U.S. Court of Appeals for the Federal Circuit, sitting *en banc*, preserved the defense of laches for patent cases and distinguished *Petrella*. *SCA Hygiene Products AB v. First Quality Baby Products LLC*, 2015 WL 5474261 (Fed. Cir. Sept. 18, 2015) (en banc).

The resolution addresses whether the judicially created laches defense should bar legal relief in a patent infringement suit during the six-year damages period authorized by Section 286.

3. Please Explain How the Proposed Policy Position will Address the Issue

The issue relates to roles of the judicial and legislative branches of the federal government. In *Petrella*, the U.S. Supreme Court explained that congressional enactment of a statutory three-year copyright damages period (17 U.S.C. § 507(b)) has the effect of limiting availability of the judicially created laches defense as a bar to legal damages for copyright infringement.

The Resolution seeks a clarification that the same principle should apply to the patent law. Congressional enactment of a statutory six-year patent damages period (35 U.S.C. § 286) also has the effect of limiting availability of a laches defense as a bar to legal damages for patent infringement, although laches may still be a defense where equitable relief is sought (such as injunctive relief and ongoing royalties).

4. Summary of Minority Views

None known at this time.

FEB 22 2016
OFFICE OF THE CLERK

No. 15-927

IN THE
Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG, ET AL.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, ET AL.,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* ART+COM INNOVATIONPOOL GmbH SUPPORTING PETITIONERS

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QUESTION PRESENTED

Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.

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IN THE

Supreme Court of the United States

No. 15-927

SCA HYGIENE PRODUCTS AKTIEBOLAG, ET AL.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, ET AL.,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* ART+COM INNOVATIONPOOL GmbH SUPPORTING PETITIONERS

INTEREST OF *AMICUS CURIAE*[1]

Laches is an essential issue for ART+COM Innovationpool, GmbH (ACI). ACI is in the midst of a multi-million dollar patent infringement action against Google, Inc., and laches is a key defense in the case, with the potential to deny ACI damages incurred within the six-year statute-of-limitations period. See *ART+COM Innovationpool GmbH* v. *Google Inc.*, C.A. No. 14-cv-217-RGA

[1] Pursuant to Rule 37.2(a), *amicus* provided timely notice of its intention to file this brief to counsel for all parties. All parties have consented. In accordance with Rule 37.6, no counsel for any party has authored this brief in whole or in part, and no person or entity, other than the *amicus* or its counsel, has made a monetary contribution to the preparation or submission of this brief.

(D. Del.). Consistent with this Court's holding in *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), ACI wishes to strike the laches defense for damages incurred during that statutory limitations period. But the district court denied its motion to strike that defense in light of the Federal Circuit's contrary view reflected in the opinion below. *ART+COM Innovationpool GmbH* v. *Google Inc.*, C.A. No. 14-cv-217-RGA (D. Del.) (ECF No. 33).

ACI's insights into this legal issue are much more than that of one litigant faced with a laches issue. Its experiences in the Google litigation are representative of the hurdles faced by many smaller companies who possess potentially colorable infringement claims against behemoth corporations. Smaller companies cannot afford to sue first and ask questions later when presented with a potentially valid infringement claim. The costs are too high for all but the patent trolls who make it their business to extract settlements on shaky infringement claims. Instead, the preferred approach is negotiation and careful analysis to resolve legitimate disputes without involving the court and incurring the steep costs of patent litigation.

That is the path ACI took in its case, engaging in several good-faith negotiations with Google and applying for two reissues of its patent. But all of that took time, and at the end of the process, once Google had cut off negotiations and the reissues were complete, more than six years had passed from the initial infringement. Thus, like many smaller companies who wish to avoid costly litigation—especially litigation against a company with Google's near-limitless resources—ACI's restraint and prudence left it open to a laches claim under the holding of the opinion below.

ACI has seen the perverse results of the Federal Circuit's laches doctrine firsthand, and it wants this Court to

end the absurdity of that approach before it is too late for ACI and many other similarly situated smaller companies.

SUMMARY OF ARGUMENT

In the opinion below, the Federal Circuit confronted the same question this Court answered in *Petrella*, yet it reached the opposite conclusion. Whereas this Court held that that "laches [cannot] bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period," 134 S. Ct. at 1975, the Federal Circuit permitted laches to do just that. Pet. App. 35a-36a. The Federal Circuit escaped this Court's mandate only by converting laches from a common-law, gap-filling doctrine into a statutory co-equal of the patent statute of limitations, claiming that Congress codified laches *sub silentio* in the Patent Act of 1952.

Even if that were correct, the Federal Circuit's analysis of the pre-1952 common law Congress is said to have codified is hopelessly mired in error. The court investigated only part of the relevant question, asking whether, in the abstract, "the case law prior to 1952 * * * applied laches to bar legal relief." *Id.* at 27a. It left out the most important ingredient—whether laches possesses that power *for damages incurred within a federally prescribed statutory limitations period.* That key omission set the Federal Circuit up for failure. It asked the wrong question, so it arrived at the wrong answer.

Properly focused, analysis of the pre-1952 common law confirms that while laches may bar damages allowable under an analogous state statute of limitations when Congress has remained silent on the limitations period, it cannot countermand the will of Congress expressed in a federal statute of limitations. This Court has made that clear both before and after 1952. Thus, if Congress codified any laches defense in the Patent Act, it is one that

recedes in the face of a federal statute of limitations like the one governing claims for patent infringement.

ARGUMENT

I. THE FEDERAL CIRCUIT SIDESTEPPED *PETRELLA* ONLY THROUGH A FUNDAMENTALLY FLAWED COMMON-LAW CODIFICATION THEORY

The Federal Circuit evaded this Court's laches holding in *Petrella* by artificially removing the issue from the common law. Admitting that there is "no substantive distinction material to the *Petrella* analysis between [the patent statute of limitations] and the copyright statute of limitations considered in *Petrella*," Pet. App. 18a, the court escaped the logical conclusion of that concession by "conclud[ing] that Congress codified a laches defense in § 282." *Id.* at 22a. This silent codification transformed laches in the patent context from a gap-filling, common-law doctrine that recedes in the face of a statutory limitations period into a co-equal of the explicit patent statute of limitations. It is the linchpin of the Federal Circuit's entire opinion.

Yet it is built on a foundation of sand. Invoking the principle that "[w]hen a statute covers an issue previously governed by the common law, we must presume that Congress intended to retain the substance of the common law," *id.* at 24a (quoting *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013)), the court held that "[s]ection 282 therefore retains the substance of the common law as it existed at the time Congress enacted the Patent Act." *Id.* at 26a. Assuming the Federal Circuit got it right thus far, the court should then have looked to the common-law understanding of laches in 1952, when Congress enacted the Patent Act. Although the Federal Circuit attempted to undertake that analysis, it both defined the precise question incorrectly and employed illegitimate evidence to answer it. These errors paved the way for the Federal Circuit's bizarre conclu-

sion that the equitable doctrine of laches can bar recovery of legal damages incurred within a statutory limitations period.

A. The Federal Circuit asked the wrong question when examining the pre-1952 common law by ignoring the key role of federally prescribed limitations periods

The Federal Circuit doomed its analysis from the start by asking the wrong question. It saw its task as determining whether "the case law prior to 1952 * * * applied laches to bar legal relief." *Id.* at 27a. But that framing of the question omits the defining feature of this issue—the federal patent statute of limitations. The right question, the question the court did not consider, is whether "the case law prior to 1952 * * * applied laches to bar" damages *incurred within a federally prescribed statutory limitations period.*

That distinction is critical. In the absence of a federal statute of limitations, courts "use[] analogous state statutes of limitations to determine the timeliness of infringement claims." *Petrella*, 134 S. Ct. at 1968. Laches may apply during such a limitations period because it is merely a placeholder, not a congressional choice about the timeliness of claims: "When Congress fails to enact a statute of limitations, a [federal] court that borrows a state statute of limitations but permits it to be abridged by the doctrine of laches is not invading congressional prerogatives. It is merely filling a legislative hole." *Ibid.* (quoting *Teamsters & Emp'rs Welfare Tr. of Ill.* v. *Gorman Bros. Ready Mix*, 283 F.3d 877, 881 (7th Cir. 2002)); see also *id.* at 1975 n.16 ("When state law was the reference, federal courts sometimes applied laches as a further control.").

It is a different matter entirely when Congress has spoken through a federal statute of limitations. That is because the common-law doctrine of laches is "gap-filling,

not legislation-overriding." *Id.* at 1974. And that is also why this Court "ha[s] never applied laches to bar in their entirety claims for discrete wrongs *occurring within a federally prescribed limitations period.*" *Id.* at 1975 (emphasis added).

B. Properly framed, the Federal Circuit's view of the relevant pre-1952 common law rests on a single, now-discredited circuit case

1. Correcting the Federal Circuit's question renders nearly everything it cites for the pre-1952 common-law understanding of laches inapposite. The majority's two principal cases do not even mention a federal statute of limitations, much less discuss the interplay between the common-law doctrine of laches and a statutory mandate on the timeliness of claims. See *Banker* v. *Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934); *Ford* v. *Huff*, 296 F. 652 (5th Cir. 1924); Pet. App. 29a-32a. The plethora of inapposite cases that appear in the majority's string citations lend no support to its view of the pre-1952 law either, save only one. See Pet. App. 29a-30a, 32a-33a.

Purged of the precedent irrelevant to the real question about the pre-1952 common law, the Federal Circuit's view of the common-law understanding of laches in this context rests on a lone court of appeals case, *Gillons* v. *Shell Co. of California*, 86 F.2d 600 (9th Cir. 1937). That is the only pre-1952 case the court cites (or that ACI has found) supporting the notion that laches can bar legal damages incurred within a federally prescribed limitations period.[2]

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[2] *Gillons* is the only pre-1952 case that applied laches to bar recovery for legal damages incurred within the patent statute of limitations. The opinion below cited two additional cases that briefly mention the possible interplay between a federally prescribed limitations period and laches, but they both quickly dismissed the laches argument without having to confront the question directly. See *France Mfg. Co.* v. *Jefferson Elec. Co.*, 106 F.2d 605, 609 (6th Cir. 1939);

2. That paucity of case law alone refutes the Federal Circuit's conclusion that Congress codified that principle in the Patent Act. The canon of construction the Federal Circuit employed to transform a common-law principle into a statutory mandate requires that the common law be "well established" at the time of the statutory enactment: "[W]here a common-law principle is *well established*, * * * the courts may take it as given that Congress has legislated with an expectation that the principle will apply." *Astoria Fed. Sav. & Loan Ass'n* v. *Solimino*, 501 U.S. 104, 108 (1991) (emphasis added); see also *Isbrandtsen Co.* v. *Johnson*, 343 U.S. 779, 783 (1952) ("Statutes which invade the common law * * * are to be read with a presumption favoring the retention of *long-established* and *familiar* principles." (emphases added)).

The types of common-law doctrines that qualify have "an impeccable historic pedigree." *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013). One such doctrine had "for at least a century * * * played an important role in American copyright law." *Ibid.* Another "ha[d] roots in our common law reaching back to at least the 18th century." *Baker Botts L.L.P.* v. *ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015).

One case from one court of appeals does not constitute a "long-established and familiar principle[]" worthy of the canon. *Isbrandtsen*, 343 U.S. at 783. This Court has rightly rejected attempts by a party to "cite[] only one federal case * * * for the proposition that [a doctrine is] well established in federal law." *Dixon* v. *United States*, 548 U.S. 1, 13-15 (2006). The Second Circuit has done likewise, declining to find "a firmly established rule" when the defendants "base[d] their understanding of the

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Hartford-Empire Co. v. *Swindell Bros.*, 96 F.2d 227, 233 (4th Cir. 1938). An Eighth Circuit case not cited in the opinion below did the same. *See United Drug Co.* v. *Ireland Candy Co.*, 51 F.2d 226, 232 (8th Cir. 1931).

pre 1936 American maritime common law of shipper liability almost entirely on one case." *Senator Linie Gmbh & Co. Kg* v. *Sunway Line, Inc.*, 291 F.3d 145, 158, 161 (2d Cir. 2002). That lone case could not demonstrate that the common-law doctrine was "sufficiently coherent or settled for purposes of codification." *Id.* at 165.

The same reasoning applies here. One case proves nothing. It certainly does not demonstrate a "well established" common-law practice of using laches to deny patentees recovery allowed by the patent statute of limitations. *Astoria*, 501 U.S. at 108. Congress is not presumed to have scoured the case law and approved of every jot and tittle inked in the federal courts when it enacts a statute. That would be an absurd canon of construction. Yet that is the only reasoning that can justify the Federal Circuit's holding. *Gillons* is the entirety of the pre-1952 common law supporting its laches rule. Congress did not codify a stray court of appeals case *sub silentio* in the Patent Act.

3. Congress especially cannot be presumed to have codified a case with reasoning as suspect as *Gillons*'s. Much like the Federal Circuit in its current laches jurisprudence, the *Gillons* court treated the federal statute of limitations as if it were a borrowed state limitations period—merely informative of the operative presumptions and evidentiary burdens attending proof of unreasonable delay. Indeed, the "leading case" it cited for this practice addressed only whether laches can bar a suit that is timely under a *state* statute of limitations. *Gillons*, 86 F.2d at 607 (citing *Kelley* v. *Boettcher*, 85 F. 55, 62 (8th Cir. 1898)). That is how the court reached its conclusion that "[i]n determining what delay constitutes laches, courts of equity are not bound by the statutes of limitations relat-

ing to actions at law of like character." *Id.* at 607.[3] The court went on to apply laches to bar the plaintiff's claim for infringement damages incurred during the six-year period allowed by the patent statute of limitations. *Id.* at 607-611.

This Court exposed the fallacies in that reasoning in *Petrella*. Whether or not Congress has prescribed a limitations period is a momentous question for laches purposes. "When Congress fails to enact a statute of limitations," a court may "use[] analogous state statutes of limitations to determine the timeliness of infringement claims." *Petrella*, 134 S. Ct. at 1968. In that circumstance, "permit[ting the state statute] to be abridged by the doctrine of laches is not invading congressional prerogatives." *Ibid.* (quoting *Teamsters & Emp'rs Welfare Tr.*, 283 F.3d at 881). Congress has not spoken on the matter, and laches is merely fulfilling its traditional role as a "gap-fill[er]." *Id.* at 1974. But permitting laches during a federally prescribed limitations period "[i]nvit[es] individual judges to set a time limit other than the one Congress prescribed," transforming laches from "gap-filling" to "legislation-overriding." *Id.* at 1974-1975. This Court has never ascribed such power to the common-law doctrine of laches. *Ibid.*

That critical distinction eluded the *Gillons* court, just as it has the Federal Circuit. *Gillons* equated two very different situations and treated the patent statute of limitations enacted by Congress as if it had been borrowed

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[3] If the statute of limitations before it had come from a state and not Congress, the *Gillons* court would have been correct. *See Petrella*, 134 S. Ct. at 1968 ("When Congress fails to enact a statute of limitations, a [federal] court that borrows a state statute of limitations but permits it to be abridged by the doctrine of laches is not invading congressional prerogatives. It is merely filling a legislative hole." (quoting *Teamsters & Emp'rs Welfare Tr.*, 283 F.3d at 881)); see also *Russell* v. *Todd*, 309 U.S. 280, 289 (1940).

from a state. *Gillons*, 86 F.2d at 607-608. It is folly to presume that Congress codified such an outlier opinion with logical deficiencies of that magnitude.

II. THE UNDERSTANDING AT THE TIME OF THE PATENT ACT CONFIRMS THAT LACHES DOES NOT BAR RECOVERY OF DAMAGES INCURRED WITHIN A FEDERALLY PRESCRIBED LIMITATIONS PERIOD

If Congress codified any laches defense when it enacted the Patent Act, then that defense cannot bar legal damages for harm incurred during the six-year patent statute of limitations, even it may be able to foreclose equitable relief during that period. That was the "well established" understanding in 1952. *Astoria*, 501 U.S. at 108.

In 1935, this Court stated unequivocally that "[l]aches within the term of the statute of limitations is no defense at law." *United States* v. *Mack*, 295 U.S. 480, 489 (1935). It reaffirmed that principle a decade later. See *Holmberg* v. *Armbrecht*, 327 U.S. 392, 395 (1946) ("If Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter. The Congressional statute of limitation is definitive."). The Eighth Circuit applied that settled law only a few months before Congress enacted the Patent Act: "[M]ere delay in seeking redress cannot destroy the right of the patentee to compensatory damages. * * * The statute provides that recovery shall not be had for any infringement committed more than six years prior to the filing of the complaint in the action. There is apparently no other period of limitations which may be invoked by an infringer to bar recovery." *Middleton* v. *Wiley*, 195 F.2d 844, 847 (8th Cir. 1952).

This Court recognized that long-established understanding of laches in *Petrella*: "The expansive role for laches [the alleged infringer] envisions careens away from understandings, *past and present*, of the essentially

gap-filling, not legislation-overriding, office of laches. * * * [W]e have never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period." 134 S. Ct. at 1974-1975 (emphasis added). Laches was, is, and always has been a gap-filling doctrine that recedes in the face of a congressionally prescribed statute of limitations. That was the understanding Congress codified in the Patent Act in 1952, if it codified any laches defense at all.

CONCLUSION

The petition for writ of certiorari should be granted.

Respectfully submitted.

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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF MEDINOL LTD. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONERS

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INTEREST OF *AMICUS*[1]

Medinol Ltd. is a medical device company that recently filed a petition for a writ of certiorari in this Court. *See* Petition for Writ of Certiorari, *Medinol Ltd. v. Cordis Corporation*, (No. 15-998) (U.S. 2016). Medinol's petition, which is pending, raises legal issues that overlap with the question presented in this case. Like the petitioners here, Medinol's statutory right to sue for damages was undercut by the Federal Circuit's misinterpretation of this Court's decision in *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014). Medinol respectfully submits this brief in order to describe the relationship between the two cases and to explain why this Court's review of both cases is warranted.

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[1] The parties have consented to the filing of this *amicus* brief. No counsel for a party authored the brief in whole or in part. No party, counsel for a party, or any person other than *amicus* and its counsel made a monetary contribution intended to fund the preparation or submission of the brief.

SUMMARY OF ARGUMENT

This case involves the use of laches to bar damages claims that are timely under the Patent Act. Sitting en banc and splitting 6 to 5, the Federal Circuit authorized laches as a potential bar to timely claims. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311, 1321 (Fed. Cir. 2015). That decision overrode Congress' judgment about timeliness as embodied in the Patent Act's express limitations period. It also contravened this Court's reasoning in *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014), which underscores the incongruity of invoking laches to deny claims that Congress has determined to be timely.

Even on its own terms, the Federal Circuit's rationale is untenable. The court concluded that laches is available for damages claims based on 35 U.S.C. § 282(b), which says nothing about laches. *SCA*, 807 F.3d at 1335 (J. Hughes, concurring in part and dissenting in part) (explaining how the Patent Act is devoid of language supporting a laches defense). The Federal Circuit's attempt to ground the laches defense in pre-Patent Act common law is similarly mistaken: As this Court made clear in *Petrella*, the Court's precedents have never supported the use of laches to bar legal relief. 134 S. Ct. at 1974-75.

Like the petitioners here, *amicus* Medinol was stripped of its timely patent infringement claim based on a district court's application of judicial

discretion under the doctrine of laches to dismiss Medinol's claim, even though it was timely under the statutory limitations period Congress had created. *Medinol Ltd. v. Cordis Corp.*, 15 F Supp. 3d 389, 409 (S.D.N.Y. 2014). On February 2, 2016, Medinol filed a petition for certiorari raising a question similar to the one presented here: "May judges use the equitable defense of laches to bar legal claims for damages that are timely under the express terms of the Patent Act." Petition for Writ of Certiorari, *Medinol Ltd. v. Cordis Corporation*, (No. 15-998) (Feb. 2, 2016).

The Federal Circuit's laches rule has harmed both Medinol and the petitioners here. Yet the two cases present significantly different factual settings. In *SCA*, petitioners were faulted for failing to notify the defendants of their intent to sue following an ex parte re-examination of the asserted patent. In Medinol's case, by contrast, the district court dismissed Medinol's infringement claims for failing to assert that claim during the time Medinol was pursuing a mutually beneficial deal with the infringers. *Compare SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, Case No. 1:10-cv-00122-JHM, 2013 U.S. Dist. LEXIS 98755, *14-16 (W.D. Ky. July 15, 2013) (ruling that SCA should have notice of intent to file its lawsuit following the re-examination), *with Medinol*, 15 F Supp. 3d at 405-406 (explaining that Medinol should have given notice of infringement allegations despite the risk such notice could jeopardize their business relationship). In addition, the district court in Medinol's case charged it with unreasonable delay based on constructive knowledge rather than actual

knowledge—a factor not present in the *SCA* case. *Compare SCA*, 2013 U.S. Dist. LEXIS 98755, at *11 (calculating delay period from the date of the plaintiff's cease and desist letter), *with Medinol*, 15 F. Supp. 3d at 404 (finding constructive knowledge based on a Medinol employee's knowledge that a *nonaccused* product infringed the asserted patents).

Medinol's petition for certiorari (15-998) explains why its case provides a more compelling factual context to resolve this issue, but at a minimum, the *Medinol* and *SCA* cases should be considered in tandem.[2] The differences between Medinol's case and this one illuminate the wide-ranging impact of the Federal Circuit's decision to resuscitate the laches defense for damages claims in patent suits. Taken together, the two cases provide a richer context for understanding the operation of the Patent Act and the harms flowing from the Federal Circuit's

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[2] The Court recently did just that with *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, No. 14-1513, 2015 U.S. LEXIS 6634 (U.S. Oct. 19, 2015) and *Stryker Corp. v. Zimmer, Inc.*, No. 14-1520 (U.S. Oct. 19, 2015), which presented a similar legal question concerning interpretation of the Patent Act. *See Halo Elecs., Inc.*, 2015 U.S. LEXIS 6634, *1 (granting certiorari and consolidating the cases for one hour of oral argument). The Court has simultaneously considered cases presenting the same legal question in other contexts as well. *See Obergefell v. Hodges*, 135 S. Ct. 2584 (2015) (simultaneously resolving common questions raised in cases nos. 14-556, 14-562, 14-571, and 14-574); *Kansas v. Carr*, 135 S. Ct. 1698 (2015) (granting certiorari and consolidating cases nos. 14-449 and 14-450); *Burwell v. Hobby Lobby Stores, Inc.*, 134 S. Ct. 2751 (2014) (deciding cases nos. 13-354 and 13-356 in tandem); *Riley v. California*, 134 S. Ct. 2473 (2014) (simultaneously resolving similar questions presented in cases nos. 13-132 and 13-212).

anomalous approach. This Court should grant the instant petition as well as the petition in *Medinol v. Cordis*, and it should consider the two cases in tandem.

ARGUMENT

In *Petrella*, this Court made clear that laches "cannot be invoked to preclude adjudication of a claim for damages" that is timely under the applicable statute of limitations. 134 S. Ct. at 1967 Only a year later, and by the slimmest of majorities, the en banc Federal Circuit disregarded this Court's teachings and carved out an exception for patent suits. *SCA*, 807 F.3d at 1321.

But Congress has already specified when damages claims are timely under the Patent Act through the Act's express limitations period. Under *Petrella*, there is no room for judges to invoke laches on a case-by-case basis to bar claims that are timely under the Act. Nor should patent holders who are considering their options be subject to the lingering possibility that a judge might second-guess their reasons for not rushing headlong into court.

As elaborated more fully in Medinol's own certiorari petition (15-998), those are the lessons of *Petrella*. This Court should grant review of this case and *Medinol v. Cordis* to reiterate that *Petrella*'s teachings are fully applicable in the realm of patent law.

I. The Court Should Grant Certiorari To Prevent The Federal Circuit From Undermining *Petrella*.

Petrella v. Metro-Goldwyn-Mayer dealt with the role of laches in suits for copyright infringement. This Court left no mystery about its rule of decision: When there is a "statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief." *Petrella*, 134 S. Ct. at 1974. Laches is the stuff of "gap-filling," not "legislation-overriding." *Id.* Once Congress speaks, it is time for judges to listen.

Like the Copyright Act at issue in *Petrella*, the Patent Act contains an express limitations period crafted by Congress. *See* 35 U.S.C. § 286 (limiting damages to acts of infringement occurring within the past six years). The Federal Circuit, however, treated the two statutes as worlds apart even as it acknowledged the lack of any "substantive distinction material to the *Petrella* analysis" in the limitations provisions in the Copyright and Patent Acts. *SCA*, 807 F.3d at 1321. Although *Petrella* held that this limitations period precluded judicial invocation of laches to bar copyright claims for damages, the Federal Circuit came to the exact opposite conclusion and endorsed laches as a bar to legal relief in patent infringement actions. Its rationale—that patent cases play by a unique set of rules—has no basis in the Patent Act or this Court's case law.

Instead of applying *Petrella* to the patent context, the Federal Circuit depicted the Patent Act as working more like another statute: the Lanham

Act. *SCA*, 807 F.3d at 1329. But unlike the Patent Act, the Lanham Act contains no statute of limitations. And unlike the Patent Act, the Lanham Act expressly provides for a laches defense. *See Petrella*, 134 S. Ct. at 1974 n.15. Far from showing that laches retains a role in suits for patent damages, the Lanham Act comparison underscores how strained the Federal Circuit's logic is.

The Federal Circuit also attempted to conjure a laches defense out of 35 U.S.C. § 282(b), a statute that lists defenses for patent infringement. That effort failed at the outset given the fact that § 282(b) says nothing at all about laches, let alone the availability of laches in damages claims. *SCA*, 807 F.3d at 1335 (J. Hughes, concurring in part and dissenting in part) (explaining how the Patent Act is devoid of language supporting a laches defense).

The Federal Circuit fared no better in its attempt to prop up laches as a background common law principle. Even if such understandings were sufficient to override the Patent Act's clear text—which they are not, *Conn. Nat'l Bank v. Germain*, 503 U.S. 249, 254 (1992) (explaining that "[w]hen the words of a statute are unambiguous ... judicial inquiry is complete")—the Federal Circuit misunderstood the prevailing common law practice. As this Court explained in *Petrella*, "[b]oth before and after the merger of law and equity in 1938, this Court has cautioned against invoking laches to bar legal relief." 134 S. Ct. at 1973 (footnote omitted); *see also SCA*, 807 F.3d at 1333 (J. Hughes, concurring in part and dissenting in part) (noting that at the time of the Patent Act's enactment, "the Supreme Court

had already recognized the common-law principle that laches cannot bar a claim for legal damages."). Indeed, neither the majority nor the dissent in *Petrella* was able to find any case in which this Court had "approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." 134 S. Ct. at 1974.

In sum, a narrow majority of the Federal Circuit has disregarded Congress' express determination of timeliness, rejected the teaching of *Petrella*, and injected the unpredictability of the laches defense into every case of patent infringement seeking damages. Given the Federal Circuit's exclusive jurisdiction over patent appeals, the distortion and uncertainty will prevail unless and until this Court intervenes.

II. The Court Should Consider This Case In Tandem With *Medinol v. Cordis*.

Medinol's petition for certiorari, filed on February 2, 2016, raises a similar question to that in this case concerning the invocation of laches to bar timely claims for patent damages. Petition for Writ of Certiorari, *Medinol Ltd. v. Cordis Corporation*, (No. 15-998) (U.S. 2016). That petition presents a complementary factual context and provides a fuller illustration of the implications of the Federal Circuit's anomalous approach to laches in patent cases. At a minimum, the two cases should be considered in tandem.

Taken together, the two cases vividly demonstrate the effects of the Federal Circuit's rule that courts should determine whether patent infringement suits are timely depending on when the patent holder knew or should have known of its patent infringement claim. *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1338 (Fed. Cir. 1998). In *SCA*, the district court calculated delay from the time the patent holder wrote the defendants a cease and desist letter, demonstrating *actual* knowledge of its potential cause of action., 2013 U.S. Dist. LEXIS 98755, at *11. By contrast, in *Medinol v. Cordis*, the district court's decision was premised on *constructive* knowledge. Applying Federal Circuit precedent, the *Medinol* court found constructive knowledge based on Medinol's earlier litigation against the infringers in disputes over other patents. *Medinol Ltd. v. Cordis Corp.*, 15 F Supp. 3d at 404. Because this constructive knowledge predated several of the asserted patents, the district court decided that the laches clock had started ticking for those patents as soon as they issued. *Id.*

Considering *SCA* and *Medinol* together also demonstrates more clearly how the Federal Circuit's invocation of laches supplants Congress' express judgment with the case-by-case discretion of individual judges. The Federal Circuit's case law instructs judges to determine whether a delay is unreasonable using a "totality of the evidence" standard. *See A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1038 (Fed. Cir. 1992) ("The facts of unreasonable delay and prejudice then must be proved and judged on the totality of the evidence presented."). In *SCA*, the district court

ruled that the petitioners' delay of just over six years was unreasonable, despite the fact that the petitioners' patent was in ex parte reexamination for nearly three years. *SCA*, 2013 U.S. Dist. LEXIS 98755, at *13-14. The district court ruled that the petitioners should have given the defendants advance notice of the petitioners' intent to enforce their claims after the patents emerged from re-examination. *Id.* at *15-16).

The district court in *Medinol v. Cordis* found unreasonable delay based on very different circumstances. Medinol and the accused infringers were pursuing a business venture. According to the court, Medinol nevertheless should have notified the defendants of its infringement claims—notwithstanding the obvious risk that any venture would be undermined by the prospect of litigation. *Medinol*, 15 F. Supp. 3d at 405-406. And the district court ultimately barred Medinol's claims even while acknowledging that, for some of the asserted patents, the unexcused delay was for a period of less than six years. *Id.* at 407 ("It is within my discretion to find that a delay of less than six years is unreasonable").

The invocation of laches to bar Medinol's claims puts on full display the mischief of the Federal Circuit's approach. With the laches defense on the table, a patent holder cannot rely on Congress' express decision to allow damages going back six years. 35 U.S.C. § 286. Should it take too much time deliberating before rushing into court, a patent holder risks being stripped of its claims. So, too, if it decides to explore the possibility of an amicable

business solution instead of launching a lawsuit at the earliest opportunity.

Such a rule is at odds with this Court's rejection of the notion that one must "sue soon, or forever hold your peace" even when Congress has prescribed a limitations period that provides clear guidance to the industry. *Petrella*, 134 S. Ct. at 1976. But on the Federal Circuit's rationale, this Court's teachings in *Petrella* do not command the same result under the Patent Act as under the Copyright Act. As a result, the Federal Circuit treats Congress' judgments about timeliness as embodied in the Patent Act's limitations period as more of a recommendation than a legal rule. All that matters under the Federal Circuit's approach is the equitable determination of an individual judge in an individual case. If, as in this case and *Medinol v. Cordis*, a judge believes that the patent holder should have filed sooner than it did, that is the end of the matter. This Court rejected such a regime for the Copyright Act, and it should do the same for the Patent Act.

CONCLUSION

For the foregoing reasons, this Court should grant certiorari and consider the case in tandem with *Medinol v. Cordis* (15-998) or hold this petition pending the resolution of *Medinol*.

Respectfully submitted,

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February 22, 2016

No. 15-927

In the Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC,
FIRST QUALITY HYGIENE, INC.,
FIRST QUALITY PRODUCTS, INC., AND
FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

On Petition for a Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit

BRIEF OF AMICUS CURIAE THE TORO COMPANY IN SUPPORT OF PETITIONERS

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Interest of the Amicus Curiae[1]

Amicus Curiae The Toro Company ("Toro") respectfully files this brief pursuant to Supreme Court Rule 37 in support of Petitioner. Toro files this brief for two reasons: (1) to further address salient statutory interpretation issues that have not been fully developed in the Petition that are important for the Court to consider; and (2) it, like other prominent patent holders and manufacturing companies, has an interest in making sure that the clear and unambiguous language of the patent statute actually does what it says. Toro's interest is based in part on the fact that it regularly has active patent litigation. Toro's interest is also based in part on the fact that one of its subsidiaries is currently a plaintiff in patent litigation where laches has been raised as a defense.

Summary of the Argument

The Federal Circuit in *SCA Hygiene Products v. First Quality Baby Products*, 807 F.3d 1311 (Fed. Cir. 2015) (en banc) held by a 6-5 majority that laches can bar legal relief in patent cases, despite longstanding precedent of this Court that the equitable defense of laches is unavailable when a statutory limitations period exists. The majority's holding was based on two flawed premises: (1) that a

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[1] Amicus Curiae Toro timely notified counsel of record for all parties of its intent to file this brief, and counsel of record for all parties have consented to the filing of this brief. *See* Supreme Court Rule 37.2(a). No party's counsel authored this brief in whole or in part. No party or person other than amicus curiae contributed money to fund preparation or submission of this brief. *See* Supreme Court Rule 37.6.

single line in the post hoc commentary of a non-legislator (Federico's Commentary) demonstrates Congress' intent to codify laches in 35 U.S.C. § 282 of the 1952 Patent Act; and (2) that through its silence on the matter, Congress intended to codify lower court precedent allegedly suggesting that the equitable doctrine of laches could specifically bar legal relief in patent cases. In addition to those addressed by Petitioner, Amicus Curiae Toro addresses the following errors.

First, the timeliness of damages claims in patent cases is expressly and unambiguously addressed in 35 U.S.C. § 286. There is no legitimate basis to read in laches to the subtext of § 282 because that section has meaning without laches and reading laches into § 282 would run afoul of the plain language of that statutory section.

Second, because Congress clearly evinced its intent on the timeliness of damages claims in § 286, Congress' silence on laches cannot indicate its intent to codify allegedly clear lower court precedent applying the defense to bar legal relief.

Third, a single statement in post hoc commentary on the 1952 Patent Act written by a non-legislator is not legislative history, and does not shed light on what Congress thought it was voting for in 1952. The majority's reliance on Federico's Commentary to ascertain Congress' intention regarding laches is error.

Fourth, the policy concerns raised by the majority in support of its holding either do not in fact support its position when exposed to scrutiny, or

already are addressed by the timeliness provision of § 286.

This case is important to the patent community The Court already has received two petitions for writs of *certiorari* on the issue of laches in the wake of *SCA*. The business and legal community has an interest in knowing that the plain language of the patent statute will do the work it claims to do. The majority's holding in *SCA* undermines the predictability of the law

Argument

I. SECTION 286 IS CLEAR ON THE TIMELINESS OF DAMAGES CLAIMS AND THERE IS NO NEED TO LOOK FOR FURTHER TIMELINESS LIMITATIONS IN § 282

A. The Patent Statute is Clear and Unambiguous on the Timeliness of Damages Claims

Courts "should always turn first to one, cardinal canon [of construction] before all others" when interpreting a statute. *Connecticut Nat'l Bank v. Germain*, 503 U.S. 249, 253 (1992). In particular, courts are to "presume that a legislature says in a statute what it means and means in a statute what it says there. When the words of a statute are unambiguous, then, this first canon is also the last: judicial inquiry is complete." *Id.* at 253-54 (citations and internal quotation marks omitted); *see also Caminetti v. United States*, 242 U.S. 470, 485 (1917) ("It is elementary that the meaning of a statute must,

in the first instance, be sought in the language in which the act is framed, and if that is plain the sole function of the courts is to enforce it according to its terms.").

The only section in the patent statute that expressly addresses the effect of delay in bringing suit is 35 U.S.C. § 286, which states in unambiguous terms: "no recovery shall be had for any infringement committed *more than six years* prior to the filing of the complaint or counterclaim for infringement in the action." 35 U.S.C. § 286 (emphasis added). The meaning of § 286 with respect to the effect of delay on patent damages could not be more clear. As the en banc Federal Circuit held: "By its terms, § 286 is a damages limitation."[2] *SCA*, 807 F.3d at 1321. And by its express terms, § 286 envisions that a patentee may bring a suit "more than six years" after infringement begins. 35 U.S.C. § 286. In that case, pursuant to the statute, the patentee may only recover damages for infringement occurring within the six-year time period preceding commencement of suit. *See id.*

In contrast to § 286, nothing on the face of § 282 suggests any limitations on the timeliness of patent damages. Laches has never appeared in the patent statute and the legislative history of the patent act does not recognize case law on laches.

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[2] The Federal Circuit also concluded that "because patent infringement is a continuous tort, there is no relevant functional difference between a damages limitation and a statute of limitations." *SCA*, 807 F.3d at 1321. Thus, there is "no substantive distinction material to the *Petrella* analysis between § 286 and the copyright statute of limitations considered in *Petrella*." *Id.*

SCA, 807 F.3d at 1337 (Hughes, T., dissenting). And as discussed below. laches does not even make logical sense in § 282. In the context of such facial clarity, judicial inquiry into the meaning of these statutory sections should proceed no further. *Connecticut Nat'l Bank*, 503 U.S. at 253-54. If other sources of meaning, such as legislative history, are to be consulted at all, "only the most extraordinary showing of contrary intentions from those data would justify a limitation on the plain meaning of the statutory language." *Garcia v. United States*, 469 U.S. 70, 75 (1984) (internal quotation marks omitted). For the reasons discussed by the dissent in *SCA*, the Petitioner, and here below, the majority's reliance on congressional silence and on a one line, post-enactment, statement by a non-legislator cannot qualify as the "extraordinary showing of contrary intent[]" that is required to limit the plain meaning of statutory language.

B. There is No Need to Look for Further Timeliness Limitations in § 282

The majority in *SCA* endeavored to find laches implicitly present in § 282, despite the clear statutory language of § 286, discussed above. *SCA*, 807 F.3d at 1321-23. Perhaps the only instance where this could be appropriate would be if § 282 (or a subportion thereof) would lack meaning without reading laches into that section. *See Potter v. United States*, 155 U.S. 438, 446 (1894) (statutory language "cannot be regarded as mere surplusage; it means something"); *cf. Lamie v. United States Tr.*, 540 U.S. 526, 536 (2004) (when two ways exist to read a statute, one in which a term is surplusage but the text is plain, and the other in which a term is nonsurplusage but the

text is ambiguous, courts "should prefer the plain meaning since that approach respects the words of Congress"). Here, § 282 does not require that laches hide in its subtext in order for the section to have meaning.

Though the majority does not specify where in § 282 it believes laches must reside, the only place laches could possibly exist is in § 282(b)(1). *SCA*, 807 F.3d at 1335 (Hughes, T., dissenting). That section states: "Defenses.—The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: (1) Noninfringement, absence of liability for infringement or unenforceability." 35 U.S.C. § 282(b)(1).

Section 282(b)(1) has meaning and is well-understood in the law without needing to read-in laches. The first defense listed, noninfringement, clearly has meaning without reading-in laches: there is no infringement, for example, if one did not make, use, offer to sell, sell, or import any product or process meeting all the limitations of a claim of a patent. *See* 35 U.S.C. § 271(a).

The second half of § 282(b)(1) envisions two situations in which there may be infringement, but there is an inability to recover: "absence of liability for infringement" and "unenforceability." 35 U.S.C. § 282(b)(1). Like the "noninfringement" clause, it is similarly unnecessary to read-in laches to ensure this second clause has meaning. For example, regarding "absence of liability for infringement," one could infringe the claims of a patent, but be given permission to do so either by express or implied license. *E.g. De Forest Radio Tel. Co. v. United*

States, 273 U.S. 236, 241-42 (1927) (a license, express or implied, for a covered use of a patent is "a complete defense against a suit for infringement"). With a license, there would be infringement, but an absence of liability. Similarly, "unenforceability" has meaning without having to read-in laches. For example, a patent can be unenforceable if there was inequitable conduct at the patent office or in the instance of patent misuse. *E.g. Zenith Elecs. Corp. v. PDI Commun. Sys.*, 522 F.3d 1348, 1367 (Fed. Cir. 2008) (inequitable conduct); *C.R. Bard, Inc. v. M3 Sys.*, 157 F.3d 1340, 1372 (Fed. Cir. 1998) (patent misuse). Laches is unnecessary to give this clause meaning.

Not only is it unnecessary, reading laches into § 282(b)(1) would also run counter to the plain meaning of the statute. Laches clearly does not make logical sense under the "noninfringement" provision of §282(b)(1), because the typical case of laches presumes infringement. *See, e.g., A. C. Aukerman Co. v. R. L. Chaides Constr. Co.*, 960 F.2d 1020, 1034 (Fed. Cir. 1992) ("The six years for laches begins with a patentee's knowledge of infringement and counts forward."). Laches also does not make logical sense under the "absence of liability for infringement" or "unenforceability" provisions, because even when laches is found under existing law, a patentee typically can recover for post-suit damages. *SCA*, 807 F.3d at 1333 ("Whereas estoppel bars the entire suit, laches does not. a patentee guilty of laches typically does not surrender its right to an ongoing royalty."). In other words, laches does not result in an "absence of liability," nor does it render the patent "unenforceable." Although damages may be limited under the application of laches, damages are *not absent*, and the patent *remains enforceable* with

respect to post-suit damages and other equitable relief, such as the grant of an injunction.

C. The Six Year Laches Presumption is Incompatible with § 286

The six year laches presumption prescribed by the Federal Circuit is also incompatible with § 286. *See Aukerman*, 960 F.2d at 1037 (discussing the laches presumption). The laches "clock" starts to run when a patentee "knew or reasonably should have known" of the alleged action being accused of infringement. *Id.* at 1032. Thus, in the typical laches scenario, it would be almost impossible to take full advantage of the six year damages period expressly allowed for by § 286 without raising a presumption of laches. A patentee would have to file suit exactly six years after a company begins making, selling, using or importing a patented device (or process) to recover six years of past damages. Obviously, there is nothing wrong with filing suit before the six year mark. However, if a patentee filed suit six years and one day after commencement of infringement, laches would be presumed and the patentee may forfeit all past damages. It is a very strange thing for there to be such a stark discontinuity in one's ability to recover for a continuous tort. *See SCA*, 807 F.3d at 1321 ("patent infringement is a continuous tort"). The six year presumption makes it almost impossible to realize the full scope of § 286—an illogical result.

There are, of course, instances where an accused infringer's activity is sufficiently hidden such that it cannot be said that a patentee "should have known" about such activity, but such instances of secret infringement are by far the exception rather

than the rule. It is not reasonable to conclude that by expressly allowing for six years of past damages in § 286, Congress only intended that this apply to claims addressing secret or hidden infringement.

The patent statute is plain on its face regarding the timeliness of patent damages claims, there is no need to look for laches in § 282 to give the section meaning, reading-in laches to § 282 is inconsistent with the plain language of that section, and the six year laches presumption is incompatible with § 286. Nothing about the actual language of the patent statute suggests that laches can bar claims for legal relief.

II. CONGRESS' SILENCE ON LACHES DOES NOT DEMONSTRATE ITS INTENT TO CODIFY THE EQUITABLE DOCTRINE'S APPLICATION TO PATENT DAMAGES

The Court's clear and longstanding precedent instructs that, when Congress has chosen to codify a limitations period, laches cannot bar claims for legal relief. Pet'rs' Cert. Br. at 22; *see, e.g.*, *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1973-74. (2014). As discussed above, and as held by the Federal Circuit, § 286 is such a limitations period in the patent statute. *SCA*, 807 F.3d at 1321. Nonetheless, the Federal Circuit found that in 1952 Congress must have codified case law indicating that laches could preclude recovery of legal damages in patent cases. *Id.* at 1326-29. The sole basis for such a departure from this Court's precedent was congressional silence.

The Federal Circuit relied heavily on the canon of construction that "[w]hen a statute covers an issue previously governed by the common law. we must presume that Congress intended to retain the substance of the common law." *Id.* at 1324 (alteration in original). The majority notes that this applies only where "Congress has failed expressly or impliedly to evince any intention on the issue" addressed by the common law. *Id.* (quoting *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 110 (1991)). But on the timeliness of claims for past damages in patent cases, Congress explicitly stated its intention—and the Federal Circuit acknowledged this. *Id.* at 1321.

In light of the Court's decision in *Petrella*, the Federal Circuit in *SCA* recognized that "[i]n § 286, Congress provided a six-year time period for recovery of damages. § 286—a damages-barring time provision—invokes *Petrella*'s logic at least as much as, and perhaps more than, a statute of limitations." *SCA*, 807 F.3d at 1321. Thus, by the Federal Circuit's own acknowledgement, Congress has evinced its intention on the timeliness of damages claims in patent suits. This alone should have precluded the Federal Circuit from relying on the canon of construction that permits the codification of common law through Congressional silence. The majority should have found no use in analyzing the common law's application of laches to patent damages—Congress had spoken on the issue of timeliness via statute.

Moreover, while the Federal Circuit majority based its holding on congressional silence, this Court has cautioned that "not every silence is pregnant." *Burns v. United States*, 501 U.S. 129, 136 (1991).

> In some cases, Congress intends silence to rule out a particular statutory application, while in others Congress' silence signifies merely an expectation that nothing more need be said An inference drawn from congressional silence certainly cannot be credited when it is contrary to all other textual and contextual evidence of congressional intent.

Id. The inference from congressional silence in the majority's opinion is contrary to both the text and context of the patent statute.

First, as discussed above, the text of the patent statute is clear on the timeliness of patent damages claims. Section 286, the single clearest statement of congressional intent on the timeliness of damages claims, expressly limits past patent damages to six years and says nothing about laches. 35 U.S.C. § 286. Section 282 is facially silent on the issue. 35 U.S.C. § 282.

Second, even if some timeliness rule could be read-in to the subtext of § 282, the clear limitations period of § 286 would inform § 282. *SCA*, 807 F.3d at 1336 (Hughes, T., dissenting); *see Util. Air Regulatory Group v. EPA*, 134 S. Ct. 2427, 2441 (2014) ("[T]he words of a statute must be read in their context and with a view to their place in the overall statutory scheme."). Otherwise, the sub-textual rule of § 282 would conflict with the clear limitations period in § 286. As correctly noted by the dissent, "provisions of a statute should be read so as not to

create a conflict." *SCA*, 807 F.3d at 1336 (Hughes, T., dissenting) (quoting *La. Public Serv. Comm'n v. FCC*, 476 U.S. 355, 370 (1986)).

Furthermore, the dissent rightly notes that the House and Senate Reports from 1952 explain that the language of § 282 was meant to be changed to state defenses in more general terms, but the substance of § 282 was not to be materially changed. *SCA*, 807 F.3d at 1336 (Hughes, T., dissenting). The dissent also rightly notes that no pre-1952 act suggests that laches was meant to bar claims for legal relief, and "nothing in the legislative history reflects congressional recognition of any pre-1952 case law on the subject of laches, let alone approval of such case law as went beyond what the pre-1952 statutes authorized on their face." *Id.* at 1336-37. In light of the actual legislative history reflecting an intent to not materially change the substance of § 282, it does not make sense to take Congress' silence on laches as indicative of its intent to codify it in the subtext of § 282.

Congress' silence cannot be so powerful to override this Court's longstanding precedent and the text and context of the 1952 patent statute: Congress does not "hide elephants in mouseholes." *Whitman v. Am. Trucking Ass'ns*, 531 U.S. 457, 468 (2001).

III. THE COURT'S PRECEDENT INSTRUCTS THAT LITTLE IF ANY WEIGHT SHOULD BE GIVEN TO FEDERICO'S COMMENTARY IN INTERPRETING THE PATENT STATUTE

Petitioner correctly states that "the Federal Circuit relied heavily on a few words in the 1954

Federico Commentary" to support its holding that laches can bar legal damages in patent cases. Pet'rs' Cert. Br. at 21. The words of Federico's Commentary clearly are not the words of the patent statute, nor are they even legislative history. They are the post hoc commentary of a non-legislator.

After-the-fact statements by commentators "are not a reliable indicator of what Congress intended when it passed the law, assuming extratextual sources are to any extent reliable for this purpose." *Gustafson v. Alloyd Co.*, 513 U.S. 561, 579 (1995). Indeed, even "post hoc observations by a single member of Congress carry little if any weight." *Quern v. Mandley*, 436 U.S. 725, 736 n.10 (1978); *c.f. Garcia*, 469 U.S. at 76 (explaining that committee reports are the most authoritative legislative history, and eschewing casual statements of a single member of Congress). The relevance of legislative history to the interpretation of a statute, to the extent it has any, is to elucidate what members of Congress believed they were voting for. *Gustafson*, 513 U.S. at 579; *Sullivan v. Finkelstein*, 496 U.S. 617, 631 (1990) (Scalia, J., concurring in part).

By this standard, Federico's Commentary cannot be considered legislative history, and should be given little if any weight in interpreting the 1952 Patent Act. Mr. Federico was never a member of Congress, and his Commentary was not published until after the 1952 Patent Act was enacted. *See* Pet'rs' Cert. Br. at 21; P J. Federico, Commentary on the New Patent Act, 35 U.S.C.A 1 (West 1954). Federico's Commentary was not even available to members of Congress while they debated the 1952

Patent Act. It cannot inform what members of Congress believed they were voting on.

As the majority recognizes, Mr. Federico did provide testimony before the House Committee on the Judiciary in 1951 during the hearings on H.R. 3760—an early draft of the 1952 Act. *SCA*, 807 F.3d at 1322-23; *see* Patent Law Codification and Revision-Hearings on H.R. 3760 before Subcomm. No. 3 of the H. Comm. on the Judiciary. 82d Cong. 34-40, 101 10 (June 1951) (statements of P.J. Federico, Examiner in Chief, U.S. Patent Office) (hereinafter "Statements of Federico"). Unlike his Commentary, this testimony actually *was* available to members of Congress at the time they voted on the 1952 Act and might shed light on what members thought they were voting for. However, *Mr. Federico said nothing about laches during this testimony. See* Statements of Federico at 34-40, 101 10. He even addressed the very section of the bill that turned into § 282, but he merely said that the defenses listed therein were meant to be stated more generally without "changing the substance materially." *Id.* at 108.

Significantly, in other instances when the new Patent Act was meant to codify law that until that time had only existed as common law through the courts, Mr. Federico explicitly said so in this testimony to Congress. *Id.* at 38-39. For example, regarding the non-obviousness requirement of § 103, Mr Federico told the Committee: "Section 103 does something attempted for the first time in our statute, and that is to write down a condition which exists in the law and has existed for well over 100 years, but only by decisions of the courts." *Id.* at 38. In this actual legislative history of the 1952 Patent Act,

laches was not mentioned by Mr. Federico, nor did he refer to any intent to codify common law relating to laches.

Mr. Federico was undoubtedly influential in drafting the 1952 Patent Act, but his post hoc Commentary sheds no light on what members of Congress actually thought they were voting for. At best, his Commentary represents his own opinions about what the law was meant to do—this is not reflective of the intent of Congress. *See* Federico Commentary at "Author's Note" ("[I]t should be understood that the paper contains some opinions and views of the writer even though not always labeled as such.") In light of the plain text of the statute, and especially in light of Mr. Federico's testimony to members of Congress during their consideration of the bill, it is erroneous for the majority to essentially base its holding in *SCA* on a single statement in Federico's post hoc Commentary.

IV THE MAJORITY'S POLICY CONCERNS ARE NOT JUSTIFICATIONS FOR LACHES AND/OR ARE ALREADY ACCOUNTED FOR BY § 286

After studying Federico's Commentary and the congressional silence on laches, the majority in *SCA* justified its holding that laches can bar legal relief despite the damages limitation of § 286 based on several policy considerations. As noted by the dissent, it is the job of Congress to account for competing policy concerns when crafting patent legislation. *SCA*, 807 F.3d at 1342 (Hughes, T., dissenting). It is not the role of the Federal Circuit to undermine Congress' judgment, by shaping the law

based on its own, current assessment of the policy landscape. *Id.; see Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141, 143, 163-68 (1989) (questioning the Federal Circuit's analysis that the policies behind federal patent laws were not threatened by a state law prohibiting direct molding for the duplication of unpatented articles, noting that Congress should make such determinations, and despite consideration of similar bills, Congress had refused to enact such a law).

In any event, each of the policy concerns raised by the majority are either not really justifications for laches, or they already are accounted for by the damages limitation in § 286. First, the majority notes that companies (such as in the medical device industry) may spend large sums of money to develop products and shepherd them through the regulatory process only to have a patentee sue six years later seeking the most profitable six years of revenues. *SCA*, 807 F.3d at 1330. The theory here appears to be that if the company were only told of its infringement sooner, such damages could be avoided.

This example is an illogical justification for laches. As an initial matter, in such an expensive endeavor a company is likely to undertake a patent clearance process. In any event, companies do not regularly broadcast their research and development efforts to the world. And § 271(e)(1) of the patent statute states that it is not an act of infringement to make, use, offer to sell, or sell a patented invention solely for uses reasonably related to obtaining necessary regulatory approval. 35 U.S.C. § 271(e)(1). By the time a medical device company. for example, brings a product to market that might actually

constitute patent infringement, the company already has invested large sums of money—suing within six years of the product's introduction to market does not change that fact.

Second, the Federal Circuit alludes to the large volume of suits brought by non-practicing entities, noting that "it is often impractical for companies to determine which claims have merit." *SCA*, 807 F.3d at 1330. This concern is simply irrelevant to laches. Laches addresses the timeliness of claims, not their merits.

Third, the majority is simply wrong when it claims that "[i]ndependent invention is no defense in patent law, so without laches, innovators have no safeguards against tardy claims." *Id.* Innovators have § 286, which limits the extent to which a patentee can recover for claims filed more than six years after infringement began. Additionally. independent invention can act as a defense to the extent such acts qualify as invalidating prior art under 35 U.S.C. § 102(a).[3]

Finally, the majority notes that amici in the en banc case "overwhelmingly support[ed] retaining laches in patent law." *SCA*, 807 F.3d at 1340. It is true that more amici supported retaining laches than not, but many of those amici were companies who are regular patent infringement defendants. It is not

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[3] Prior to the enactment of the American Invents Act (AIA) in 2011, 35 U.S.C. § 102(g) also allowed for independent invention to serve as a defense. The concept codified in prior § 102(g) has limited relevance under the AIA's first-to-file rule, but it was present in the 1952 Act and existed for more than sixty years until the enactment of the AIA.

surprising that such companies would support a measure that could absolve them of some liability. Notably, however, two prominent amici with a much more disinterested view based simply on a reading of the law (the American Intellectual Property Law Association and a group of prominent patent law professors), argued that laches should not be found to bar claims for legal relief in light of *Petrella*. *See* Brief for Am. Intellectual Property Law Assoc. as Amicus Curiae Supporting Neither Party, *SCA Hygiene Prods v. First Quality Baby Prods.*, 807 F.3d 1311 (Fed. Cir. 2015) (No. 2013-1564); Brief for Law Professors as Amici Curiae Supporting Appellants, *SCA Hygiene Prods v. First Quality Baby Prods.*, 807 F.3d 1311 (Fed. Cir. 2015) (No. 2013-1564).

V THIS CASE IS OF GREAT IMPORTANCE TO THE PATENT COMMUNITY

The Federal Circuit sitting en banc decided the *SCA* case by the narrowest of margins: 6-5. There was sharp disagreement between the majority and the dissent. Though the Federal Circuit has spoken on the applicability of laches to bar legal relief, many in the broader patent community still seek clarity in light of the Court's ruling in *Petrella*. Notably, the Court already has received two petitions for writs of *certiorari*, challenging findings of laches in light of *Petrella*. Pet'rs' Cert. Br.; Petition for Writ of Certiorari, Medinol Ltd. v. Cordis Corp., No. 15-998 (2016). The regularity with which laches is claimed as a defense in patent cases suggests that that Court should expect many more similar petitions.

Finally, the broader patent community has two additional general interests in the Court hearing this

case. First, the patent community has an interest in knowing that the plain language of the patent statute will do the work it claims to do. In other words, they have an interest in the predictability of the patent law The Federal Circuit's holding in *SCA* undermines the predictability of the law

Second, the broader patent community has an interest in making sure that the patent law remains as uniform as possible with the broader civil, common law This Court routinely warns against patent exceptionalism in the civil law for good reason. When the patent laws reflect the tried-and-true principles of the broader civil law, innovators and business decision makers have more trust in the usefulness and validity of the patent system, and both parties and legal practitioners can rely on predictability in the law

Conclusion

For all these reasons, the Court should grant SCA's petition for a writ of *certiorari*, and reverse the Federal Circuit's en banc decision.

Respectfully submitted,

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Dated: February 19, 2016

No. 15-927

SUPREME COURT, U.S.
FILED
JUL 15 2015
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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

JOINT APPENDIX

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The following documents have been omitted in printing this Joint Appendix because they appear in the appendix of the Petition for a Writ of Certiorari on the following pages:

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The following documents have been omitted in printing this Joint Appendix because they appear in the appendix of the Reply Brief of Petitioners on the following pages:

APPENDIX A — FINAL RESOLUTION 108B OF THE AMERICAN BAR ASSOCIATION, ADOPTED FEBRUARY 8, 2016 . . . . . .1a

APPENDIX B — PROPOSED RESOLUTION 108B AND REPORT OF THE AMERICAN BAR ASSOCIATION. 2a

APPENDIX A — RELEVANT DOCKET ENTRIES

RELEVANT DOCKET ENTRIES FROM THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, NO. 2013-1564

Date Filed	#	Docket Text
08/14/2013	1	Appeal docketed. Received: 08/13/2013. [98008] Entry of Appearance due 08/28/2013. Certificate of Interest is due on 08/28/2013. Docketing Statement due 08/28/2013. Appellant/ Petitioner's brief is due 10/15/2013.
		* * *
08/26/2013	3	Certificate of Interest for the Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. Service: 08/26/2013 by email. [100200]
08/26/2013	4	Docketing Statement for the Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. Service: 08/26/2013 by email. [100202]
		* * *
08/27/2013	13	Corrected Certificate of Interest for the Appellees First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC. Service: 08/27/2013 by email. [100380]

Appendix A

08/27/2013	14	Corrected Docketing Statement for the Appellees First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC. Service: 08/27/2013 by email. [100381]

* * *

10/15/2013	24	BRIEF FILED for Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. [23], [22]. Title: Brief for Plaintiffs-Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc., [Confidential and Non-Confidential versions]. Number of Pages: 52. Service: 10/15/2013 by email. Pursuant to ECF-10, filer is directed to file six copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 10/21/2013. Appellees First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC brief is due 11/29/2013. [110676]

* * *

11/12/2013	26	MOTION of Appellees First Quality Baby Products, LLC, First Quality

Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC to extend the time to 12/16/2013 to file the appellee/respondent/cross-appellant's principal brief. Response/ Opposition is due 11/25/2013 [Consent: unopposed]. Service: 11/12/2013 by email. [116322]

11/20/2013 27 ORDER granting motion to extend time to file appellees' principal brief [26] filed by Appellees, and granting motion to extend time to file appellants' reply brief. The appellees' principal brief is due 12/16/2013 and the appellants' reply brief is due 01/16/2014. Service: 11/20/2013 by clerk. [118372]

* * *

12/16/2013 30 BRIEF FILED for Appellees First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC [29], [28]. Title: confidential and non-confidential brief of defendants-appellees, [Confidential and Non-Confidential versions]. Number of Pages: 10506. Service: 12/16/2013 by email. Pursuant to ECF-10, filer is directed to file six copies of the brief in paper format. The paper

copies of the brief should be received by the court on or before 12/23/2013. [123935]

* * *

01/16/2014 35 BRIEF FILED for Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. [32], [33]. Title: Reply Brief for Plaintiffs-Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc., [Confidential and Non-Confidential versions]. Number of Pages: 19. Service: 01/16/2014 by email. Pursuant to ECF-10, filer is directed to file six copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 01/22/2014. Appendix is due 01/27/2014. [130168]

* * *

01/23/2014 39 APPENDIX FILED for SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. [37], [38]. Title: Joint Appendix, [Confidential and Non-Confidential versions]. Number of Pages: 472. Service: 01/23/2014 by email. Pursuant to ECF-10, filer is directed to file six copies of the brief in paper format. The paper copies of the

brief should be received by the court on or before 01/29/2014. [131599]

* * *

02/21/2014 45 NOTICE OF CALENDARING. Panel: 1404E. Case scheduled Apr 08, 2014 10:00 a.m. at the United States Court of Appeals for the Federal Circuit (Howard T. Markey National Courts Building, 717 Madison Place, N.W. Washington, DC 20439), Courtroom 402. Response to oral argument order due: 03/17/2014. Counsel should check-in 30 minutes prior to the opening of the session. Please review the Oral Argument Order. [137166] [13-1674, 13-1236, 13-1564]

02/24/2014 46 Citation of Supplemental Authority pursuant to Fed. R. App. P. 28(j) for Appellees First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC. Service: 02/24/2014 by email. [137713]

* * *

03/12/2014 49 RESPONSE of Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. to the supplemental

authority [46] filed by Appellees First Quality Retail Services, LLC, First Quality Baby Products, LLC, First Quality Hygienic, Inc. and First Quality Products, Inc. in 13-1564. Service: 03/12/2014 by email. [141380]

04/08/2014	50	Submitted after ORAL ARGUMENT by Martin J. Black, Esq. for SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. and Mr. Kenneth George for First Quality Retail Services, LLC, First Quality Baby Products, LLC, First Quality Hygienic, Inc. and First Quality Products, Inc. Panel: Judge: Reyna, Judge: Wallach, Judge: Hughes. [146610]
05/27/2014	51	Citation of Supplemental Authority pursuant to Fed. R. App. P. 28(j) for Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. Service: 05/27/2014 by email. [157017]
05/28/2014	52	RESPONSE of Appellees First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC to the supplemental authority [51] filed by Appellants SCA

Hygiene Products Aktiebolag and SCA Personal Care, Inc. in 13-1564. Service: 05/28/2014 by email. [157408]

* * *

09/17/2014	54	OPINION and JUDGMENT filed. The judgment or decision is: Affirmed-in-Part, Reversed-in-Part, and Remanded. (Precedential Opinion). (For the Court: Reyna,Circuit Judge; Wallach,Circuit Judge and Hughes,Circuit Judge). [183336] Vacated pursuant to the court's order. See Doc. No. [76]
10/15/2014	55	Petition for panel rehearing, for en banc rehearing filed by Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. Service: 10/15/2014 by email. [190152]

* * *

10/21/2014	57	The court invites a response from Appellees First Quality Baby Products, LLC, et al. to the petition for panel rehearing, petition for en banc rehearing filed by Appellants in 13-1564. [191321]

* * *

Appendix A

10/29/2014	63	MOTION of Medinol Ltd. for leave to file amicus brief in support of SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. on petition for panel rehearing [55], petition for en banc rehearing [55]. Response/ Opposition is due 11/13/2014 [Consent: unopposed]. Service: 10/29/2014 by email. [193771]

* * *

10/29/2014	67	MOTION of The Toro Company for leave to file amicus brief in support of SCA Hygiene Products Aktiebolag and Personal Care, Inc. on petition for panel rehearing [55], petition for en banc rehearing [55]. Response/ Opposition is due 11/13/2014 [Consent: not addressed]. Service: 10/29/2014 by email. [193785]

* * *

11/03/2014	70	ORDER filed granting motions to file amicus briefs on rehearing petition [63], [67]. By: Court (Per Curiam). Service as of this date by Clerk of Court. [194499]
11/03/2014	71	AMICUS BRIEF FILED for Medinol Ltd. [64]. Number of Pages: 10. Service: 10/29/2014 by email. [194502]

11/03/2014	72	**AMICUS BRIEF FILED** for Toro Company, The [68]. Number of Pages: 10. Service: 10/29/2014 by email. Pursuant to ECF-10, filer is directed to file 16 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 11/05/2014. [194503]

* * *

11/04/2014	74	**RESPONSE** of Appellees First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC to the petition for panel rehearing [55] filed by Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. in 13-1564, petition for en banc rehearing [55] filed by Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. in 13-1564. Service: 11/04/2014 by email. [194962]

* * *

12/30/2014	76	**ORDER** filed granting petition for en banc rehearing [55] filed by Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc.; vacating the 09/17/2014 precedential opinion [54]; reopening appeal; setting briefing

schedule. Appellants' brief is due 02/13/2015. By: En Banc (Per Curiam). Service as of this date by Clerk of Court. [206524]

01/12/2015 77 MOTION of Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. to extend the time to 02/27/2015 to file the appellant/petitioner's principal brief. Response/Opposition is due 01/26/2015 [Consent: unopposed]. Service: 01/12/2015 by email. [208927]

01/15/2015 78 ORDER filed granting motion to extend time to file appellants' en banc brief [77] filed by Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. Brief due 02/27/2015. By: En Banc (Per Curiam). Service as of this date by Clerk of Court. [209999]

* * *

02/27/2015 84 BRIEF FILED for Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. [81]. Number of Pages: 40. Service: 02/27/2015 by email. Pursuant to the court's order, filer is directed to file 30 copies of the confidential version of the brief in paper format. The paper copies of the

brief should be received by the court on or before 03/09/2015. Appellees First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC brief is due 04/02/2015. [220755]

* * *

03/06/2015 94 AMICUS BRIEF FILED for Intellectual Property Owners Association [93]. Number of Pages: 29. Service: 03/05/2015 by email. Pursuant to the court's order, filer is directed to file 30 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 03/11/2015. [221882]

* * *

03/06/2015 112 CORRECTED AMICUS BRIEF FILED for Stephanos Bibas, Samuel L. Bray and John F. Duffy [109]. Number of Pages: 21. Service: 03/06/2015 by email. Pursuant to the court's order, filer is directed to file 30 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 03/11/2015. [222174]

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03/06/2015 113 CORRECTED AMICUS BRIEF FILED for Morris Reese [111]. Number of Pages: 4. Service: 03/06/2015 by email. Pursuant to the court's order, filer is directed to file 30 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 03/11/2015. [222181]

* * *

03/06/2015 124 CORRECTED AMICUS BRIEF FILED for ART+COM Innovationpool GmbH [114]. Number of Pages: 19. Service: 03/06/2015 by email. Pursuant to the court's order, filer is directed to file 30 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 03/16/2015. [222301]

03/06/2015 125 AMICUS BRIEF FILED for Conejo Valley Bar Association [119]. Number of Pages: 6. Service: 03/06/2015 by email. Pursuant to the court's order, filer is directed to file 30 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 03/16/2015. [222302]

03/06/2015 126 AMICUS BRIEF FILED for Medinol Ltd. [123]. Number of Pages: 27.

Service: 03/06/2015 by email. Pursuant to the court's order, filer is directed to file 30 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 03/16/2015. [222305]

* * *

03/10/2015 134 MOTION of Appellees First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC to extend the time to 04/16/2015 to file the appellee/respondent/cross-appellant's principal brief. Response/ Opposition is due 03/23/2015 [Consent: unopposed]. Service: 03/10/2015 by email, US mail. [222896]

* * *

03/11/2015 140 CORRECTED AMICUS BRIEF FILED for AIPLA [139]. Number of Pages: 12. Service: 03/10/2015 by email. Pursuant to the court's order, filer is directed to file 30 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 03/16/2015. [223348]

* * *

03/13/2015 143 ORDER filed granting motion to extend time to file appellees' en banc response brief [134] filed by Appellees First Quality Retail Services, LLC, First Quality Baby Products, LLC, First Quality Hygienic, Inc. and First Quality Products, Inc. Brief due 04/16/2015. By: En Banc (Per Curiam). Service as of this date by Clerk of Court. [223960]

* * *

04/16/2015 147 MOTION of Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. to extend the time to 05/15/2015 to file the reply brief. Response/Opposition is due 04/30/2015 [Consent: unopposed]. Service: 04/16/2015 by email. [233505]

* * *

04/16/2015 149 BRIEF FILED for Appellees First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC [148]. Number of Pages: 51. Service: 04/16/2015 by email. Pursuant to the court's order, filer is directed to file 30 copies of the brief in paper format. The paper copies of the

brief should be received by the court on or before 04/22/2015. Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. reply brief is due 05/01/2015. [233747]

* * *

04/21/2015 155 AMICUS BRIEF FILED for Garmin International, Inc., Limelight Networks, Inc., Linkedin Corporation, Mentor Graphics Corporation, Newegg Inc., SAP America, Inc., SAS Institute Inc., Symmetry LLC and Xilinx, Inc. [153]. Number of Pages: 27. Service: 04/21/2015 by email. Pursuant to ECF-10, filer is directed to file six copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 04/27/2015. [234853]

04/22/2015 154 ORDER filed granting motion to extend time to file reply brief [147] filed by Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. reply brief is due 05/15/2015. By: En Banc (Per Curiam). Service as of this date by Clerk of Court. [234770]

* * *

04/23/2015 197 AMICUS BRIEF FILED for Ashmasons LLP [170]. Number of Pages: 33. Service: 04/23/2015 by email. Pursuant to court order, filer is directed to file 31 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 04/29/2015. [235458]

04/23/2015 198 AMICUS BRIEF FILED for CTIA The Wireless Association, Dell Inc., Google Inc., Hewlett-Packard Company, Intel Corporation, Marvell Semiconductor, Inc. and Xerox Corporation [171]. Number of Pages: 27. Service: 04/23/2015 by email. Pursuant to the court order, filer is directed to file 31 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 04/29/2015. [235475]

04/23/2015 199 AMICUS BRIEF FILED for Cordis Corporation and Johnson & Johnson [173]. Number of Pages: 28. Service: 04/23/2015 by email. Pursuant to the court order, filer is directed to file 31 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 04/29/2015. [235486]

04/23/2015 201 AMICUS BRIEF FILED for Electronic Frontier Foundation and Public Knowledge [180]. Number of Pages: 20. Service: 04/23/2015 by US mail, email. Pursuant to the court order, filer is directed to file 31 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 04/29/2015. [235505]

04/23/2015 202 AMICUS BRIEF FILED for Askeladden, L.L.C. [182]. Number of Pages: 28. Service: 04/23/2015 by email, US mail. Pursuant to the court order, filer is directed to file 31 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 04/29/2015. [235510]

04/23/2015 203 AMICUS BRIEF FILED for Universal Remote Control, Inc. [183]. Number of Pages: 20. Service: 04/23/2015 by US mail, email. Pursuant to the court order, filer is directed to file 31 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 04/29/2015. [235513]

04/23/2015 204 AMICUS BRIEF FILED for AT&T Mobility II LLC and T-Mobile USA, Inc. [187]. Number of Pages: 27. Service: 04/23/2015 by email, US mail. Pursuant to the court order, filer is directed to file 31 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 04/29/2015. [235520]

04/23/2015 205 AMICUS BRIEF FILED for Cook Medical LLC [188]. Number of Pages: 12. Service: 04/23/2015 by email. Pursuant to the court order, filer is directed to file 31 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 04/29/2015. [235523]

04/23/2015 206 AMICUS BRIEF FILED for Hydro Engineering, Inc. [192]. Number of Pages: 24. Service: 04/23/2015 by email. Pursuant to the court order, filer is directed to file 31 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 04/29/2015. [235528]

04/23/2015 207 AMICUS BRIEF FILED for Roche Molecular Systems, Inc. [196]. Number of Pages: 26. Service: 04/23/2015 by email. Pursuant to the court order, filer is directed to file 31 copies of the

brief in paper format. The paper copies of the brief should be received by the court on or before 04/29/2015. [235531]

* * *

04/24/2015 224 CORRECTED AMICUS BRIEF FILED for Briggs & Stratton Corp., Harley-Davidson Motor Company, Inc., Jockey International, Inc., Rockwell Automation, Inc. and Wisconsin Manufacturers & Commerce [214]. Number of Pages: 19. Service: 04/24/2015 by email. Pursuant to the courts order, filer is directed to file 31 copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 05/04/2015. [235912]

* * *

04/29/2015 236 CORRECTED ENTRY: ORDER filed scheduling oral argument. Oral argument en banc for this appeal is scheduled for June 19, 2015 at 10:00 a.m. Each side will have 30 minutes of total argument time. [see order for details] By: En Banc (Per Curiam). Service as of this date by Clerk of Court. [236427]--[Edited 04/29/2015 by SJ - Reason: to correct relief selected]

Appendix A

04/29/2015 237 NOTICE OF CALENDARING. Panel: 1506Q. Case scheduled Jun 19, 2015 10:00 a.m. at the United States Court of Appeals for the Federal Circuit (Howard T. Markey National Courts Building, 717 Madison Place, N.W. Washington, DC 20439), Courtroom 201. Counsel should check-in 30 minutes prior to the opening of the session. Please review the Oral Argument Order. [236452]

* * *

05/15/2015 246 REPLY BRIEF FILED for Appellants SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. [245]. Number of Pages: 27. Service: 05/15/2015 by US mail, email. Pursuant to ECF-10, filer is directed to file six copies of the brief in paper format. The paper copies of the brief should be received by the court on or before 05/26/2015. [REMOVED - Appendix is due 05/26/2015.] [241627]--[Edited 05/19/2015 by ALT]

* * *

06/19/2015 255 Submitted after ORAL ARGUMENT by Martin J. Black, Esq. for SCA Hygiene Products Aktiebolag and

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SCA Personal Care, Inc. and Mr. Kenneth George for First Quality Retail Services, LLC, First Quality Baby Products, LLC, First Quality Hygienic, Inc. and First Quality Products, Inc. Panel: En Banc. [249875]

* * *

09/18/2015 258 OPINION and JUDGMENT filed. The judgment or decision is: Reversed and Remanded. (Precedential Opinion). (For the Court: Prost,Chief Judge; Newman,Lourie, Dyk, Moore, O'Malley, Reyna, Wallach, Taranto, Chen, Hughes, and Stoll,Circuit Judges). Opinion for the court filed by Chief Judge PROST in which Circuit Judges NEWMAN, LOURIE, DYK, OMALLEY, REYNA join. Opinion concurring-in-part, dissenting-in-part filed by Circuit Judge HUGHES in which Circuit Judges MOORE, WALLACH, TARANTO, CHEN join. [273346]

10/26/2015 259 Mandate issued to the United States District Court for the Western District of Kentucky. Service as of this date by Clerk of Court. [283284]

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12/01/2015	260	**Notice from the Supreme Court of the United States: The time within which to file a petition for writ of certiorari has been extended to 1/19/16. [293204]**
01/22/2016	261	**Petition for writ of Certiorari filed on 01/19/2016 in the Supreme Court of the United States. Supreme Court #: 15-927, SCA Hygiene Products Aktiebolag v. First Quality Baby Products. [305777]**
05/02/2016	262	**The petition for writ of certiorari, [15-927], filed on 01/19/2016, was Granted on 05/02/2016. [331279]**

* * * *

Appendix A

RELEVANT DOCKET ENTRIES FROM THE U.S. DISTRICT COURT WESTERN DISTRICT OF KENTUCKY (BOWLING GREEN) CIVIL DOCKET FOR CASE #: 1:10-CV-00122-GNS-HBB

Date Filed	#	Docket Text
08/02/2010	1	COMPLAINT filed by SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc., against First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc. and First Quality Retail Services, LLC. Filing fee $ 350, receipt number 0644-1094016. (Attachments: # 1 Exhibit A- 646 patent, # 2 Cover Sheet, # 3 Tendered Summons- Quality Baby Products, LLC, # 4 Tendered Summons-First Quality Hygienic, Inc., # 5 Tendered Summons- First Quality Products, Inc., # 6 Tendered Summons- First Quality Retail Services, LLC) (PHB) Modified on 8/2/2010 to correct filers name. (PHB). (Entered: 08/02/2010)
		* * *
08/24/2010	12	Proposed Agreed Order/Stipulation *to Enlarge Date for Response to*

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Complaint by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC, SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (O'Brien, Thomas) (Entered: 08/24/2010)

08/25/2010 13 AGREED ORDER TO ENLARGE DATE FOR RESPONSE TO COMPLAINT by Magistrate Judge E. Robert Goebel on 8/25/2010; IT IS HEREBY ORDERED that the deadline for the Defendants to file their answer or respond tc the complaint is enlarged by thirty days until 9/24/2010. cc:counsel (PHB) (Entered: 08/25/2010)

* * *

09/24/2010 26 MOTION to Dismiss *Plaintiffs' Complaint or in the Alternative, For A More Definite Statement* by Defendants First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC Responses due by 10/18/2010 (Attachments: # 1 Memorandum in Support, # 2 Exhibit A - Letter to Flannery, # 3 Exhibit B - Letter to Silfin, # 4 Affidavit Declaration of Anthony Silwanowicz,

		# 5 Proposed Order) (O'Brien, Thomas). Added MOTION for More Definite Statement on 9/27/2010 (CDF). Modified motion text on 9/27/2010 (CDF). (Entered: 09/24/2010)
10/04/2010	27	RESPONSE to Motion re 26 MOTION to Dismiss Alternative MOTION for More Definite Statement filed by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. Replies due by 10/21/2010. (Attachments: # 1 Exhibit 1 - First Quality Web Site Print Out, # 2 Exhibit 2 - '646 Patent and Re-examination Certificate, # 3 Exhibit 3 - Form 18 Complaint, # 4 Exhibit 4 - First Quality 2010 Product Catalog, # 5 Exhibit 5 - Email, # 6 Proposed Order) (Ames, E.) (Entered: 10/04/2010)
10/21/2010	28	REPLY to Response to Motion re 26 MOTION to Dismiss Alternative MOTION for More Definite Statement *Reply in Further Support of Defendants' Motion to Dismiss Plaintiffs' Complaint, or in the Alternative, for a More Definite Statement* filed by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC.

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Complaint by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC, SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (O'Brien, Thomas) (Entered: 08/24/2010)

08/25/2010 13 AGREED ORDER TO ENLARGE DATE FOR RESPONSE TO COMPLAINT by Magistrate Judge E. Robert Goebel on 8/25/2010; IT IS HEREBY ORDERED that the deadline for the Defendants to file their answer or respond to the complaint is enlarged by thirty days until 9/24/2010. cc:counsel (PHB) (Entered: 08/25/2010)

* * *

09/24/2010 26 MOTION to Dismiss *Plaintiffs' Complaint or in the Alternative, For A More Definite Statement* by Defendants First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC Responses due by 10/18/2010 (Attachments: # 1 Memorandum in Support, # 2 Exhibit A - Letter to Flannery, # 3 Exhibit B - Letter to Silfin, # 4 Affidavit Declaration of Anthony Silwanowicz,

		# 5 Proposed Order) (O'Brien, Thomas). Added MOTION for More Definite Statement on 9/27/2010 (CDF). Modified motion text on 9/27/2010 (CDF). (Entered: 09/24/2010)
10/04/2010	27	RESPONSE to Motion re 26 MOTION to Dismiss Alternative MOTION for More Definite Statement filed by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. Replies due by 10/21/2010. (Attachments: # 1 Exhibit 1 - First Quality Web Site Print Out, # 2 Exhibit 2 - '646 Patent and Re-examination Certificate, # 3 Exhibit 3 - Form 18 Complaint, # 4 Exhibit 4 - First Quality 2010 Product Catalog, # 5 Exhibit 5 - Email, # 6 Proposed Order) (Ames, E.) (Entered: 10/04/2010)
10/21/2010	28	REPLY to Response to Motion re 26 MOTION to Dismiss Alternative MOTION for More Definite Statement *Reply in Further Support of Defendants' Motion to Dismiss Plaintiffs' Complaint, or in the Alternative, for a More Definite Statement* filed by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC.

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		(O'Brien, Thomas) Modified event text on 10/22/2010 (CDF). (Entered: 10/21/2010)
11/29/2010	29	ORDER by Judge Joseph H. McKinley, Jr on 11/23/2010 denying 26 Motion to Dismiss; granting 26 Motion for More Definite Statement. The Court finds it desirable to require a more definite statement, which will narrow the general product category. The Court finds the allegation of indirect infringement sufficient without the need for more definite statement. Plaintiffs shall file an amended complaint within 15 days of the date of entry of this order. cc:counsel (PHB) (Entered: 11/29/2010)
11/30/2010	30	AMENDED COMPLAINT against All Defendants, filed by SCA Personal Care, Inc., SCA Hygiene Products Aktiebolag. (Attachments: # 1 Exhibit A - '646 Patent and Reexamination Certificate) (Ames, E.) (Entered: 11/30/2010)
		* * *
12/14/2014	32	*Defendants'* ANSWER to 30 Amended Complaint *and*, COUNTERCLAIM against All Plaintiffs by First Quality

Hygienic, Inc., First Quality Baby Products, LLC, First Quality Retail Services, LLC, First Quality Products, Inc. (O'Brien, Thomas) (Entered: 12/14/2010)

12/15/2010 33 *Plaintiffs'* ANSWER to 32 Answer to Amended Complaint, Counterclaim, *of All Defendants* by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Ames, E.) (Entered: 12/15/2010)

* * *

05/31/2011 43 MOTION for Leave to *File Second Amended Complaint* by Plaintiffs SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. Responses due by 6/24/2011 (Attachments: # 1 Exhibit 1 - Second Amended Complaint, # 2 Exhibit A to Second Amended Complaint, # 3 Proposed Order) (Ames, E.) (Entered: 05/31/2011)

06/09/2011 44 RESPONSE to Motion re 43 MOTION for Leave to *File Second Amended Complaint* filed by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC. Replies due by 6/27/2011. (Attachments: # 1

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		Exhibit 1 - proposed Second Amended Complaint, # 2 Proposed Order) (O'Brien, Thomas) Modified to add exhibit description on 6/10/2011 (CDF). (Entered: 06/09/2011)
06/14/2011	45	ORDER GRANTING PLAINTIFFS' MOTION TO FILE SECOND AMENDED COMPLAINT granting 43 Motion for Leave to File Second Amended Complaint. Signed by Magistrate Judge E. Robert Goebel on 6/14/2011. cc: Counsel, PH (CDF) (Entered: 06/14/2011)
06/14/2011	46	SECOND AMENDED COMPLAINT against First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC, filed by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Attachments: # 1 Exhibit A - '646 patent, with Reexamination Certificate) (CDF) (Entered: 06/14/2011)
06/23/2011	47	*Defendants'* ANSWER to 46 Amended Complaint, *Affirmative Defenses and,* COUNTERCLAIM *to Plaintiffs' Second Amended Complaint* against All Plaintiffs by First Quality Baby Products, LLC, First Quality Retail Services, LLC, First Quality Hygienic,

		Inc., First Quality Products, Inc. (O'Brien, Thomas) Modified to correct typographical error on 6/24/2011 (CDF). (Entered: 06/23/2011)
07/13/2011	48	ANSWER to 47 Answer to Amended Complaint, Counterclaim, by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Ames, E.) (Entered: 07/13/2011)
08/18/2011	49	Proposed Agreed Order/Stipulation *Protective Order* (Attachments: # 1 Exhibit A - Undertaking) by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC, SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Ames, E.) (Entered: 08/18/2011)
		* * *
09/09/2011	51	*Final Joint Claim Construction Statement* / CONFERENCE STATEMENT re 38 Scheduling Conference, by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC, SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Ames, E.) (Entered: 09/09/2011)

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10/07/2011	52	BRIEF - *Defendants' Opening Claim Construction Brief* (Attachments: # 1 Declaration of Richard Mandaro, # 2 Exhibit 1 - US Patent No. 6,375,646, # 3 Exhibit 2 - US Patent No. 5,415,649, # 4 Exhibit 3 - Paper No. 22, # 5 Exhibit 4 - Paper No. 10, # 6 Exhibit 5 - Paper No. 13, # 7 Exhibit 6 - Paper No. 23, # 8 Exhibit 7- After-Final Reply, # 9 Exhibit 8 - Office Action, # 10 Exhibit 9 - Reply, # 11 Exhibit 10 - Notice of Intent to Issue, # 12 Exhibit 11 - English Translation of French Writ) by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC. (O'Brien, Thomas) (Main Document 52 replaced with substituted page 9 on 11/3/2011) (CDF). (Entered: 10/07/2011)
10/07/2011	53	BRIEF *SCAs Opening Claim Construction Brief* (Attachments: # 1 Exhibit A - '646 Patent, # 2 Exhibit B (part 1) - '646 Patent Prosecution History, # 3 Exhibit B (part 2) - '646 Patent Prosecution History, # 4 Exhibit B (part 3) - '646 Patent Prosecution History, # 5 Exhibit B (part 4) - '646 Patent Prosecution History, # 6 Exhibit C (part 1) - '646 Patent Reexamination File History, # 7 Exhibit C (part

2) - '646 Patent Reexamination File History, # 8 Exhibit C (part 3) - '646 Patent Reexamination File History, # 9 Exhibit D - Dictionary Definitions of "Stretch(ing)" and "Contract(ion)") by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Ames, E.) (Entered: 10/07/2011)

* * *

11/04/2011	58	RESPONSE to re 53 Brief, *Claim Construction* filed by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC. (Attachments: # 1 Exhibit A - Typhoon v Dell) (O'Brien, Thomas) (Entered: 11/04/2011)
11/04/2011	59	RESPONSE to re 52 Brief, filed by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Ames, E.) (Entered: 11/04/2011)

* * *

02/10/2012	61	CLAIMS CONSTRUCTION MEMORANDUM OPINION AND ORDER by Chief Judge Joseph H.

McKinley, Jr. on 2/9/2012. For the reasons discussed herein, the Court has determined that the disputed claims are to be construed pursuant to this Claims Construction Memorandum Opinion and Order. cc: Counsel (CDF) (Entered: 02/10/2012)

02/22/2012 62 NOTICE *of Filing of Agreed Order* by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC (Attachments: # 1 Proposed Order Agreed Order to Enlarge Date for Defendants to File Amended Pleading, # 2 Exhibit - Defendants' First Amended Answer) (O'Brien, Thomas) (Entered: 02/22/2012)

02/24/2012 63 AGREED ORDER by Magistrate Judge E. Robert Goebel on 2/23/2012; IT IS HEREBY ORDERED AND ADJUDGES that the deadline for motions to amend pleadings previously set 6/1/2011 is extended to allow Defendants to amend their pleading to add two(2) additional affirmative defenses. IT IS FURTHER ORDERED that the tendered Defendants' First Amended Answer, Affirmative Defense and Counterclaims to Plaintiffs'

Amended Complaint shall be filed with the Clerk of the Court. cc: counsel (PHB) (Entered: 02/24/2012)

02/24/2012 64 FIRST AMENDED ANSWER, AFFIRMATIVE DEFENSES AND COUNTERCLAIM filed by First Quality Baby Products, LLC, Inc., et al. to Plaintiffs' 46 Amended Complaint. (PHB) (Main Document 64 replaced on 3/7/2012 pursuant to DN 71 Order) (CDF). (Entered: 02/24/2012)

* * *

03/05/2012 68 Consent MOTION to Strike and Substitute 64 Amended Answer to Complaint, Counterclaim, 46 Amended Complaint,. Document or Part to be Stricken and/or Substituted: DE 64 *to be stricken and attached Exhibit A to this Motion to be Substituted* by Defendants First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC Responses due by 3/23/2012 (Attachments: # 1 Exhibit A - Defendants' First Amended Answer, Affirmative Defenses and Counterclaims to Plaintiffs' Second Amended Complaint, # 2 Proposed Order) (O'Brien, Thomas) (Entered: 03/05/2012)

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03/07/2012	71	ORDER granting 68 Motion to Strike and Substitute. Signed by Magistrate Judge E. Robert Goebel on 3/6/2012. Clerk shall strike the pleading filed as noted (DN 64) and substitute the corrected Defendants' First Amended Answer, Affirmative Defenses and Counterclaims to Plaintiffs' Second Amended Complaint attached to Defendants' Consented Motion. cc: Counsel, PH (CDF) (Entered: 03/07/2012)

* * *

03/20/2012	73	ANSWER to 64 Amended Answer to Complaint, Counterclaim by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Ames, E.) (Entered: 03/20/2012)

* * *

11/12/2012	82	MOTION for Summary Judgment by Defendants First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC Responses due by 12/6/2012 (Attachments: # 1 Memorandum in

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Support TO BE FILED UNDER SEAL, # 2 Proposed Order) (O'Brien, Thomas) (Entered: 11/12/2012)

11/12/2012 83 Sealed Document (sealed pursuant to 50 Protective Order), re 82 (Attachments: # 1 Affidavit /Declaration of Charles Macedo in Support of Motion for Summary Judgment, # 2 Exhibit 1 - US Patent, # 3 Exhibit 2 - Excerpts of 6/25/12 transcript, # 4 Exhibit 3 - Excerpts of 8/28/12 transcript, # 5 Exhibit 4 - Revised infringement contentions, # 6 Exhibit 5 - Chart, # 7 Exhibit 6 - Infringement contentions, # 8 Exhibit 7 - 10/31/03 letter, # 9 Exhibit 8 - 11/21/03 letter, # 10 Exhibit 9 - 4/27/04 letter, # 11 Exhibit 10 - 5/24/04 letter, # 12 Exhibit 11 - 7/6/04 letter, # 13 Exhibit 12 - 7/20/04 letter, # 14 Exhibit 13 - Part 1 of 13 - Request for Reexamination, # 15 Exhibit 13 - Part 2 of 13, # 16 Exhibit 13 - Part 3 of 13, # 17 Exhibit 13 - Part 4 of 13, # 18 Exhibit 13 - Part 5 of 13, # 19 Exhibit 13 - Part 6 of 13, # 20 Exhibit 13 - Part 7 of 13, # 21 Exhibit 13 - Part 8 of 13, # 22 Exhibit 13 - Part 9 of 13, # 23 Exhibit 13 - Part 10 of 13, # 24 Exhibit 13 - Part 11 of 13, # 25 Exhibit 13 - Part 12 of 13, # 26 Exhibit 13 - Part 13 of 13, # 27 Exhibit 14 - Excerpts of 8/1/12 transcript, # 28 Exhibit 15 - Excerpts

of 8/31/12 transcript, # 29 Exhibit 16 - 1/1/98 Opposition, # 30 Exhibit 17 - Excerpts of 8/9/12 transcript, # 31 Exhibit 18 - Excerpts from 5/31/12 transcript, # 32 Exhibit 19 - Excerpts from 5/31/12 transcript, # 33 Exhibit 20 - Excerpts from 3/29/12 transcript, # 34 Exhibit 21 - Excerpts from 8/16/12 transcript, # 35 Exhibit 22 - 3/3/04 email, # 36 Exhibit 23 - 7/8/04 memorandum, # 37 Exhibit 24 - 9/7/05 email, # 38 Exhibit 25 - 10/19/12 expert report, # 39 Exhibit 26 - 8/16/06 email, # 40 Exhibit 27 - 12/2007 Management Letter, # 41 Exhibit 28 - 6/8/09 email, # 42 Exhibit 29 - 2/17/10 email, # 43 Exhibit 30 - 4/20/12 Objections to discovery, # 44 Exhibit 31 - Excerpts from 3/15/12 transcript, # 45 Exhibit 32 - Excerpts from 6/25/12 transcript, # 46 Exhibit 33 - Excerpts from 5/3/12 transcript, # 47 Exhibit 34 - Excerpts from 6/19/12 transcript, # 48 Exhibit 35 - Excerpts from 6/6/12 transcript, # 49 Exhibit 36 - Excerpts from 8/28/12 transcript, # 50 Exhibit 37 - 9/25/07 Settlement Agreement, # 51 Exhibit 38 - Excerpts from 9/14/12 discovery, # 52 Exhibit 39 - Excerpts from 10/19/12 expert report) (O'Brien, Thomas) Modified to add text and link to DN 50 on 11/13/2012 (CDF). (Entered: 11/12/2012)

11/12/2012	84	MOTION for Hearing re 82 MOTION for Summary Judgment by Defendants First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC Responses due by 12/6/2012 (Attachments: # 1 Proposed Order) (O'Brien, Thomas) (Entered: 11/12/2012)
11/20/2012	85	Proposed Agreed Order/Stipulation by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC, SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Ames, E.) (Entered: 11/20/2012)
11/21/2012	86	AGREED ORDER by Magistrate Judge H. Brent Brennenstuhl on 11/21/2012 re 82 MOTION for Summary Judgment, 84 MOTION for Hearing. Plaintiffs' responses to Defendants' Motion for Summary Judgment and Motion for Hearing shall be served on or before 12/24/2012, and Defendants' replies shall be served on or before 1/18/2013. cc: Counsel (CDF) (Entered: 11/21/2012)

* * *

12/17/2012	91	Proposed Agreed Order/Stipulation by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC, SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Ames, E.) (Entered: 12/17/2012)
12/21/2012	92	AGREED ORDER by Magistrate Judge H. Brent Brennenstuhl on 12/20/2012 re 82 MOTION for Summary Judgment, 84 MOTION for Hearing. Plaintiffs' responses to Defendants' Motion for Summary Judgment and Motion for Hearing shall be served on or before 1/3/2013, and Defendants' replies shall be served on or before 1/25/2013. cc: Counsel (CDF) (Entered: 12/21/2012)

* * *

01/03/2013	94	RESPONSE to Motion re 84 MOTION for Hearing re 82 MOTION for Summary Judgment filed by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. Replies due by 1/22/2013. (Attachments: # 1 Proposed Order) (Ames, E.) (Entered: 01/03/2013)

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01/03/2013	95	Sealed Document re 50 (Attachments: # 1 Proposed Order, # 2 Affidavit, # 3 Exhibit 1, # 4 Exhibit 2, # 5 Exhibit 3, # 6 Exhibit 4, # 7 Exhibit 5, # 8 Exhibit 6, # 9 Exhibit 7, # 10 Exhibit 8, # 11 Exhibit 9, # 12 Exhibit 10a, # 13 Exhibit 10b, # 14 Exhibit 11, # 15 Exhibit 12a, # 16 Exhibit 12b, # 17 Exhibit 12c, # 18 Exhibit 13, # 19 Exhibit 14, # 20 Exhibit 15, # 21 Exhibit 16, # 22 Exhibit 17, # 23 Exhibit 18, # 24 Exhibit 19, # 25 Exhibit 20, # 26 Exhibit 21, # 27 Exhibit 22, # 28 Exhibit 23, # 29 Exhibit 24a, # 30 Exhibit 24b, # 31 Exhibit 25, # 32 Exhibit 26, # 33 Exhibit 27, # 34 Exhibit 28, # 35 Exhibit 29, # 36 Exhibit 30, # 37 Exhibit 31, # 38 Exhibit 32, # 39 Exhibit 33, # 40 Exhibit 34, # 41 Exhibit 35, # 42 Exhibit 36, # 43 Exhibit 37, # 44 Exhibit 38a, # 45 Exhibit 38b, # 46 Exhibit 39, # 47 Exhibit 40, # 48 Exhibit 41, # 49 Exhibit 42, # 50 Exhibit 43, # 51 Exhibit 44, # 52 Exhibit 45, # 53 Exhibit 46, # 54 Exhibit 47, # 55 Exhibit 48) (Ames, E.) (Entered: 01/03/2013)
01/03/2013		SEALED RESPONSE to Motion (See DN 95 to view full PDF) re 82 MOTION for Summary Judgment by

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SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. Replies due by 1/22/2013. (TJDS) (Entered: 01/04/2013)

* * *

01/11/2013 98 MOTION for Summary Judgment *of Noninfringement* by Defendants First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC Responses due by 2/4/2013 (Attachments: # 1 Memorandum in Support, # 2 Affidavit /Declaration Daniel Gardner, # 3 Exhibit 1 - US Patent, # 4 Exhibit 2 - CV, # 5 Exhibit 3 - EP0320991 to Van Gompel, # 6 Exhibit 4 - Part 1 of 9 - Expert Report of Earle Sherrod, # 7 Exhibit 4 - Part 2 of 9, # 8 Exhibit 4 - Part 3 of 9, # 9 Exhibit 4 - Part 4 of 9, # 10 Exhibit 4 - Part 5 of 9, # 11 Exhibit 4 - Part 6 of 9, # 12 Exhibit 4 - Part 7 of 9, # 13 Exhibit 4 - Part 8 of 9, # 14 Exhibit 4 - Part 9 of 9, # 15 Exhibit 5 - Excerpts from Sherrod Deposition, # 16 Exhibit 6 - Excerpts from Widlund Deposition, # 17 Proposed Order) (O'Brien, Thomas) (Entered: 01/11/2013)

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01/25/2013	102	Sealed Document re 82, 94, 50 (Attachments: # 1 Affidavit/Declaration of Charles Macedo) (O'Brien, Thomas) (Entered: 01/25/2013)

* * *

01/25/2013	SEALED REPLY to Response to Motion (See DN 102 for viewing pdf document.) re 82 MOTION for Summary Judgment by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC. (CDFS) (Entered: 01/28/2013)

* * *

02/19/2013	SEALED RESPONSE to Motion (See DN 108.) re 98 MOTION for Partial Summary Judgment of *Noninfringement* by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. Replies due by 3/15/2013. (CDFS) Modified Replies due deadline from 3/8/2013 to 3/15/2013 on 2/20/2013 (CDF). (Entered: 02/20/2013)

* * *

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03/12/2013	111	NOTICE *of Supplemental Authority to Reply Memorandum in Support of Its Motion for Summary Judgment of Laces & Equitable Estoppel* by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC re 102 Sealed Document, Sealed Reply to Response to Motion, (Attachments: # 1 Exhibit 1 - Case Law: Radio Sys. Corp v. Lalor) (O'Brien, Thomas) (Entered: 03/12/2013)

* * *

03/20/2013	114	Sealed Document re 108, 50, 98 (O'Brien, Thomas) (Entered: 03/20/2013)
03/20/2013		SEALED REPLY to Response to Motion (SEE DN 114 to view PDF.) re 98 MOTION for Summary Judgment *of Noninfringement* by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC. (CDFS) (Entered: 03/21/2013)

* * *

07/16/2013	119	MEMORANDUM OPINION AND ORDER by Chief Judge Joseph H.

McKinley, Jr. on 7/15/2013 re 82 83 MOTION for Summary Judgment and 84 MOTION for Hearing. For the reason set forth above, IT IS HEREBY ORDERED that the motion by Defendants for summary judgment based on the doctrines of laches and equitable estoppel (DN 82, DN 83) is GRANTED and the motion by First Quality for a hearing on this motion for summary judgment (DN 84) is DENIED. IT IS FURTHER ORDERED that all remaining motions are DENIED AS MOOT. A Judgment shall be entered consistent with the Opinion. cc: Counsel (CDF) (Entered: 07/16/2013)

07/16/2013 120 JUDGMENT by Chief Judge Joseph H. McKinley, Jr. on 7/15/2013. IT IS HEREBY ORDERED that judgment be entered in favor of the Defendants consistent with the Court's Memorandum Opinion and Order (DN 119) and the Plaintiffs' Complaint is dismissed with prejudice. cc: Counsel (CDF) (Entered: 07/16/2013)

08/08/2013 121 STIPULATION of Dismissal *of Counterclaims* by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Ames, E.) (Entered: 08/08/2013)

Appendix A

08/12/2013	122	NOTICE OF APPEAL as to 120 Order on Motion for Summary Judgment, Order on Motion for Hearing, 119 Memorandum & Opinion, Order, by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. Filing fee $ 455, receipt number 0644-1668569. (Attachments: # 1 Exhibit A - Judgment, # 2 Exhibit B - Memorandum Opinion and Order, # 3 Exhibit C - Stipulation of Dismissal) (Ames, E.) (Entered: 08/12/2013)
08/13/2013		Transmission of Notice of Appeal, Appeal Information Sheet, Certified Docket Report, and Memorandum Opinion and Order and Judgment to US Court of Appeals for the Federal Circuit, re 122 Notice of Appeal. (CDR) (Entered: 08/13/2013)

* * *

08/16/2013	124	USCA for the Federal Circuit - NOTICE OF DOCKETING - Case Number 13-1564 for 122 Notice of Appeal, filed by SCA Personal Care, Inc., SCA Hygiene Products Aktiebolag. (Attachments: # 1 Official Caption page) (CDR) (Entered: 08/16/2013)

08/16/2013	125	NOTICE of Filing or Determination re: Patent or Trademark re 119 Memorandum & Opinion, Order, 120 Judgment. (Attachments: # 1 Memorandum Opinion and Order, # 2 Judgment) (CDR) (Entered: 08/16/2013)

* * *

09/19/2014	134	OPINION of USCA as to 122 Notice of Appeal: AFFIRMING IN PART and REVERSING IN PART. Case is REMANDED. (Attachments: # 1 Opinion) (JBM) (Entered: 09/19/2014)

* * *

09/22/2015	137	USCA FOR THE FEDERAL CIRCUIT OPINION AND JUDGMENT (MANDATE TO ISSUE) entered 9/18/2015 reversing and remanding to district court for proceedings consistent with opinion re 122 Notice of Appeal. (JWM) Modified text on 9/23/2015 (CDR). (Entered: 09/22/2015)
10/29/2015	138	USCA FOR THE FEDERAL CIRCUIT MANDATE ISSUED re 122 Notice of Appeal. (JWM) (Entered: 10/29/2015)

12/21/2015	139	MOTION to Stay *Pending Petition for Writ of Certiorari* by Plaintiffs SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. Responses due by 1/14/2016 (Attachments: # 1 Memorandum in Support, # 2 Exhibit A - Law 360 Article, # 3 Exhibit B - ABA Patent Litigation Committee Report, # 4 Proposed Order) (Ames, E.) (Entered: 12/21/2015)
01/13/2016	140	RESPONSE to Motion re 139 MOTION to Stay *Pending Petition for Writ of Certiorari* filed by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC. Replies due by 2/1/2016. (Attachments: # 1 Proposed Order) (O'Brien, Thomas) (Entered: 01/13/2016)
02/01/2016	141	REPLY to Response to Motion re 139 MOTION to Stay *Pending Petition for Writ of Certiorari* filed by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Attachments: # 1 Exhibit 1 - SCA Petition for Writ of Certiorari, # 2 Exhibit 2 - Article by R Davis, # 3 Exhibit 3 - Article by A Chung) (Ames, E.) (Entered: 02/01/2016)

02/05/2016	142	MOTION for Leave to *File a Sur-Reply in Opposition to SCA's Motion to Stay* by Defendants First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC, Counter Claimants First Quality Baby Products, LLC, First Quality Baby Products, LLC, First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Hygienic, Inc., First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Products, Inc., First Quality Products, Inc., First Quality Retail Services, LLC, First Quality Retail Services, LLC, First Quality Retail Services, LLC Responses due by 2/29/2016 (Attachments: # 1 Exhibit A - FQ's Sur-Reply, # 2 Proposed Order) (O'Brien, Thomas) (Entered: 02/05/2016)

* * *

02/29/2016	145	RESPONSE to Motion re 142 MOTION for Leave to *File a Sur-Reply in Opposition to SCA's Motion to Stay* filed by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. Replies due by 3/17/2016. (Ames, E.) (Entered: 02/29/2016)

Appendix A

03/01/2016	146	REPLY to Response to Motion re 142 MOTION for Leave to *File a Sur-Reply in Opposition to SCA's Motion to Stay* filed by First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., First Quality Retail Services, LLC. (O'Brien, Thomas) (Entered: 03/01/2016)
05/03/2016	147	Letter from Kenneth P. George, Attorney for Defendants First Quality Baby Products, LLC, et al re DN 139 by First Quality Baby Products, LLC. (O'Brien, Thomas) Modified to add links and edit text on 5/4/2016 (JWM). (Entered: 05/03/2016)
05/05/2016	148	Letter from E. Kenly Ames re DN 139 by SCA Hygiene Products Aktiebolag, SCA Personal Care, Inc. (Ames, E.) Modified to add links on 5/5/2016 (JWM). (Entered: 05/05/2016)

APPENDIX B — UNITED STATES PATENT AND TRADEMARK OFFICE OFFICIAL GAZETTE NOTICES OF REQUESTS FOR *EX PARTE* REEXAMINATION FILED, DATED AUGUST 24, 2004

United States Patent and Trademark Office *OG Notices:* *24 August 2004*

Requests for *Ex Parte* Reexamination Filed

4,781,472, Reexam. C.N. 90/007,113, Requested Date: Jul. 08, 2004, Cl. 383/016, Title: LARGE BAG WITH LINER, Inventor: Arnie La Fleur, *et al.*, Owner of Record: Scholle Custom Packaging, Inc., Manistee, MI, Attorney or Agent: Reising, Ethington, Barnes, Kisselle, Learman & McCull, Troy, MI, Ex. Gp.: 3727, Requester: Dorian B. Kennedy, Atlanta, GA

5,074,456, Reexam. C.N. 90/007,114, Requested Date: Jul. 08, 2004, Cl. 228/121, Title: COMPOSITE ELECTRODE FOR PLASMA PROCESSES, Inventor: Raymond L. Degner, *et al.*, Owner of Record: Lam Research Corporation, Fremont, CA, Attorney or Agent: Burns Doane Swecker & Mathis, Alexandria, VA, Ex. Gp.: 1725, Requester: John E. Wagner, Glendale, CA

5,224,540, Reexam. C.N. 90/007,107, Requested Date: Jul. 06, 2004, Cl. 166/118, Title: DOWNHOLE TOOL APPARATUS WITH NON-METALLIC COMPONENTS AND METHODS OF DRILLING THEREOF, Inventor: Steven G. Streich, *et al.*, Owner of Record: Halliburton Energy Services, Inc., Houston, TX, Attorney or Agent: Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, Washington, DC, Ex. Gp.: 3672, Requester: Owner

Appendix B

5,271,468, Reexam. C.N. 90/007,108, Requested Date: Jul. 06, 2004, Cl. 166/387, Title: DOWNHOLE TOOL APPARATUS WITH NON-METALLIC COMPONENTS AND METHODS OF DRILLING THEREOF, Inventor: Steven G. Streich, *et al.*, Owner of Record: Halliburton Energy Services, Inc., Houston, TX, Attorney or Agent: Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, Washington, DC, Ex. Gp.: 3672, Requester: Owner

5,813,131, Reexam. C.N. 90/007,104, Requested Date: Jul. 02, 2004, Cl. 033/645, Title: TELESCOPE MOUNTING ALIGNMENT BARS, Inventor: John D. Werre, Owners of Record: John D. Werre, Kalispell, MT, Attorney or Agent: Carl G. Dowrey, Snohomish, WA, Ex. Gp.: 2859, Requester: Scott D. Eads, Portland, OR

6,375,646, Reexam. C.N. 90/007,112, Requested Date: Jul. 07, 2004, Cl. 604/385.3, Title: ABSORBENT PANTS-TYPE DIAPER, Inventor: Urban Widlund, *et al.*, Owners of Record: SCA Hygiene Products AB, Goteborg, Sweden, Attorney or Agent: Robert J. Patch, Young & Thompson, Arlington, VA, Ex. Gp.: 3761, Requester: William C. Roland, Alexandria VA

6,404,815, Reexam. C.N. 90/007,106, Requested Date: Jul. 02, 2004, Cl. 375/240.16, Title: IMAGE ENCODER, IMAGE DECODER, IMAGE ENCODING METHOD AND IMAGE ENCODING/DECODING SYSTEM, Inventor: Shunichi Sekiguchi, *et al.*, Owner of Record: Mitsubishi Denki Kabushiki Kaisha, Tokyo, Japan, Attorney or Agent: Birch Stewart Kolasch & Birch, Falls Church, VA, Ex. Gp.: 2613, Requestor: Owner

Appendix B

6,469,012, Reexam. C.N. 90/007,110, Requested Date: Jul. 07, 2004, Cl. 514/234.5, Title: PYRAZOLOPYRIMIDINONES FOR THE TREATMENT OF IMPOTENCE, Inventor: Peter Ellis, *et al.*, Owner of Record: Pfizer, Inc., New York, NY, Attorney or Agent: Gregg C. Benson, Pfizer, Inc., Groton, CT, Ex. Gp.: 1621, Requester: Larry S. Nixon, Arlington, VA

6,502,579, Reexam. C.N. 90/007,105, Requested Date: Jun. 30, 2004, Cl. 128/898, Title: LASER ONYCHECTOMY BY RESECTION OF THE REDUNDANT EPITHELIUM OF THE UNGUAL CREST, Inventor: William P. Young, Owner of Record: William P. Young, Canal Winchester, OH, Attorney or Agent: Kremblas, Foster, Phillips & Pollick, Reynoldsburg, OH, Ex. Gp.: 3738, Requester: Stephen N. Weiss, New York, NY

6,553,809, Reexam. C.N. 90/007,109, Requested Date: Jul. 07, 2004, Cl. 073/040 5A, Title: METHOD AND APPARATUS FOR DETECTING HOLES IN PLASTIC CONTAINERS, Inventor: Donald W. Hayward, *et al.*, Attorney or Agent: MacMillan, Sobanski & Todd, LLC, Toledo, OH, Ex. Gp.: 2856, Requester: Owner

6,679,243, Reexam. C.N. 90/007,111, Requested Date: Jul. 07, 2004, Cl. 125/012, Title: BRAZED DIAMOND TOOLS AND METHOD FOR MAKING, Inventor: Chien-Min Sung, Owners of Record: Chien-Min Sung, Tansui, Taipei, Taiwan, Attorney or Agent: M. Wayne Western, Thorpe, North & Western, Sandy, UT, Ex. Gp.: 3724, Requester: Patricia D. Grenados, Washington, DC

APPENDIX C — LETTER FROM KENNETH P. GEORGE TO RONALD L. GRUDZIECKI, DATED NOVEMBER 21, 2003

November 21, 2003

Ronald L. Grudziecki, Esq.
Burns Doane Swecker & Mathis LLP
1737 King Street - Suite 500
Alexandria, Virginia 22314-2727

Re: Prevail® All Nites™ Absorbent Pants-type Diapers
Our File: 34304/21

Dear Mr. Grudziecki:

We represent First Quality Products, Inc. (the manufacturer and seller of the above-identified product), and your letter of October 31, 2003 to Mr. Kambiz Damaghi has been referred to us for response. For your information, we also represent First Quality Enterprises, Inc. and, in the future, correspondence from you to either First Quality Enterprises or First Quality Products should be directed to the undersigned.

As you suggested, we studied U.S. Patent No. 6,375,646 B1 ("the '646 Patent"), which we understand is owned by your client SCA Hygiene Products AB. In addition, we made a cursory review of prior patents and located U.S. Patent No. 5,415,649, ("the '649 Patent"), which was filed in the United States on October 29, 1991 and is therefore prior to your client's '646 Patent. A review

of Figs. 3 and 4 of the prior '649 Patent reveals the same diaper construction claimed by the '646 Patent. Thus, the prior '649 Patent invalidates your client's '646 Patent. As you know, an invalid patent cannot be infringed.

Very truly yours,

AMSTER, ROTHSTEIN
& EBENSTEIN LLP
/s/
Kenneth P. George

APPENDIX D — LETTER FROM RONALD L. GRUDZIECKI TO KAMBIZ DAMAGHI, DATED OCTOBER 31, 2003

October 31, 2003

Mr. Kambiz Damaghi
President
First Quality Enterprises, Inc.
Suite 500
80 Cuttermill Road
Great Neck, New York 11021

Re: Prevail® All Nites™ Absorbent Pants-type Diapers

Dear Mr. Damaghi:

We represent SCA Hygiene Products AB (SCA) of Göteborg, Sweden. SCA is the owner of the patent rights set forth in U.S. Patent No. 6,375,646 B1, which relates to absorbent pants-type diapers, a copy of which is attached.

It has come to our attention that you are making, selling and/or offering for sale in the United States absorbent pants-type diapers under the name Prevail® All Nites™. We believe that these products infringe claims of the patent listed above.

We suggest that you study U.S. Patent No. 6,375,646 B1. If you are of the opinion that the First Quality Prevail® All Nites™ absorbent pants-type diaper does not infringe any of the claims of this patent, please provide us with

an explanation as to why you believe the products do not infringe. If you believe that the products do infringe, please provide us with your assurance that you will immediately stop making and selling such products.

Please provide us with your response before November 21, 2003.

Sincerely,

/s/_____
Ronald L. Grudziecki

Supreme Court, U.S.
FILED
JUL 15 2015
OFFICE OF THE CLERK

No. 15-927

IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

SUPPLEMENTAL JOINT APPENDIX

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PETITION FOR CERTIORARI FILED JANUARY 19, 2016
CERTIORARI GRANTED MAY 2, 2016

265774

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UNITED STATES PATENT NO. 6,375,646, DATED APRIL 23, 2002 WITH REEXAMINATION CERTIFICATE, DATED MARCH 27, 2007 .. . .SA1

US006375646B1

(12) **United States Patent**
Widlund et al.

(10) **Patent No.: US 6,375,646 B1**
(45) **Date of Patent: Apr. 23, 2002**

(54) **ABSORBENT PANTS-TYPE DIAPER**

(75) Inventors: **Urban Widlund**, Mölnlycke; **Gunilla Hedlund**, Ljungskile; **Robert Kling**, Skene, all of (SE)

(73) Assignee: **SCA Hygiene Products AB**, Gothenburg (SE)

(*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 0 days.

(21) Appl. No.: **08/295,874**

(22) PCT Filed: **Mar. 1, 1993**

(86) PCT No.: **PCT/SE93/00176**

§ 371 Date: **Sep. 6, 1994**

§ 102(e) Date: **Sep. 6, 1994**

(87) PCT Pub. No.: **WO93/17648**

PCT Pub. Date: **Sep. 16, 1993**

(30) **Foreign Application Priority Data**

Mar. 4, 1992 (SE) 9200603

(51) **Int. Cl.**[7] **A61F 13/15**

(52) **U.S. Cl.** **604/385.3**; 604/385.22

(58) **Field of Search** 604/385.1, 385.2, 604/358, 394, 396, 385.22, 385.29, 385.3

(56) **References Cited**

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3,424,162	A *	1/1969	Perrevicini	604/396
4,319,572	A *	3/1982	Widlund et al.	604/385.2
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4,968,312	A *	11/1990	Khan	64/385.1
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ES	289369		10/1985	
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ES	U 8902797		9/1989	
ES	U 9202481		8/1992	
ES	U 9300525		3/1993	
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JP	3195555	*	8/1991	604/385.2
JP	3205053	*	9/1991	604/396
JP	4354948	*	12/1992	604/394

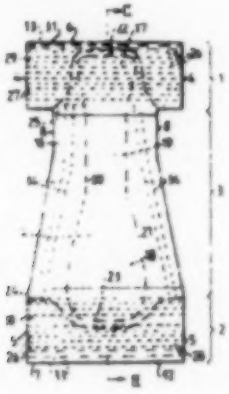
* cited by examiner

Primary Examiner—Dennis Ruhl
(74) *Attorney, Agent, or Firm*—Young & Thompson

(57) **ABSTRACT**

A disposable, absorbent pants-type diaper includes a front-part (1), a back-part (2), a crotch-part (3) between the front and back parts (1, 2), at least two side-closure parts (12, 13) which mutually join parts of the side-edges (4, 5) of respective front and back parts, so that the pants will present a waist opening (9) and two leg openings (10, 11). The diaper pants further include an elongated absorbent pad (14), an inner casing layer (15), and an outer casing layer (16). At least one of the respective front and back parts (1, 2) has at least one elastically stretchable region (29, 30). The crotch-part (3) is essentially non-stretchable in relation to the stretchable region (29, 30). At least one of respective end-parts (17, 18) of the absorbent pad (14) is disposed within one of the elastically stretchable regions (29, 30), while the center-part (19) of the absorbent pad is disposed within the relatively non-stretchable crotch-part (3) of the pants.

28 Claims, 2 Drawing Sheets



SA1

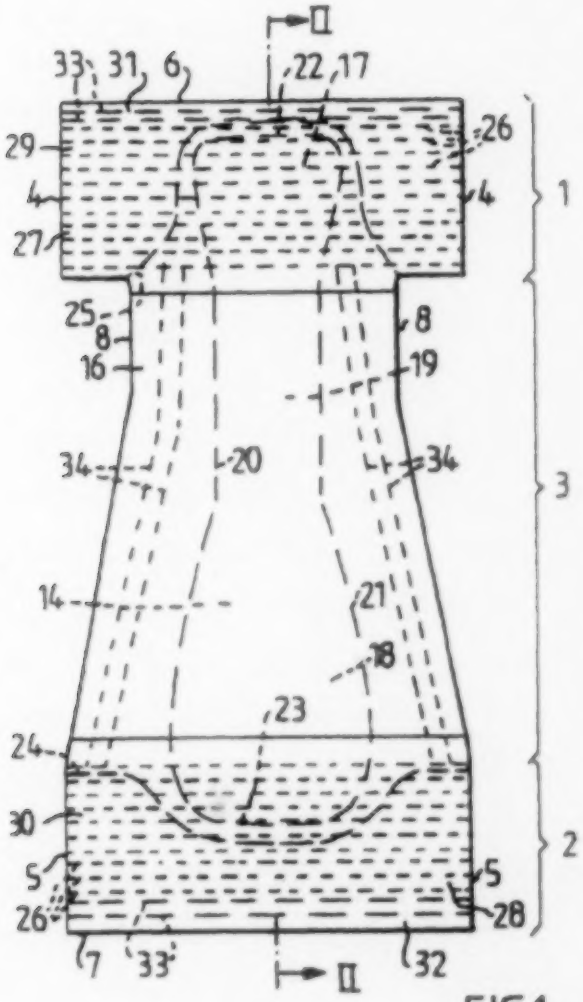

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FIG.1

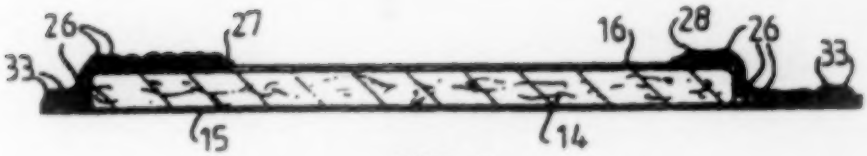
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FIG. 2

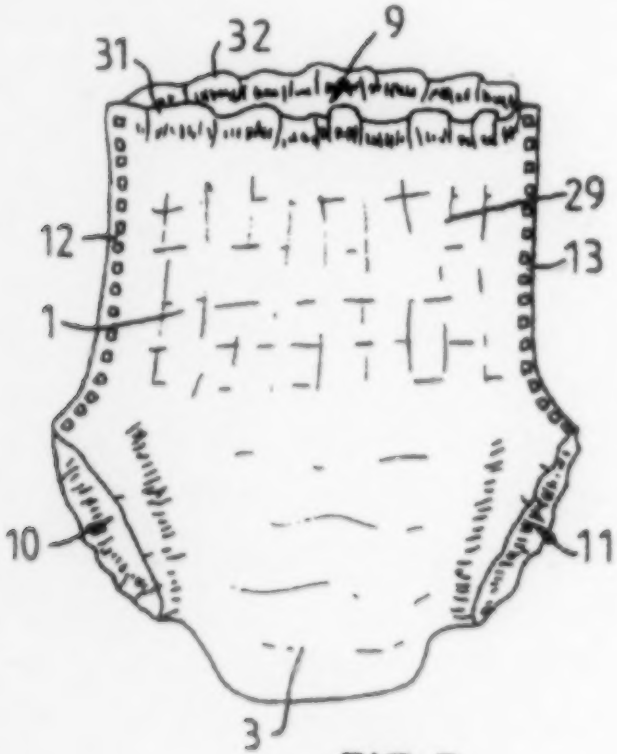

FIG. 3

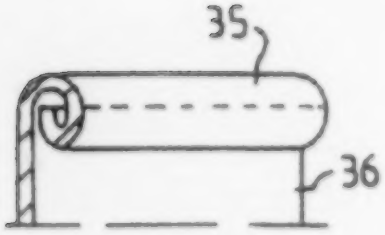

FIG. 4

ABSORBENT PANTS-TYPE DIAPER

FIELD OF THE INVENTION

The present invention relates to an absorbent pants-type diaper of the kind which is intended for one-time use only and which comprises a front-part, a back-part, a crotch-part that extends between said front and back parts, at least two side-closure parts which mutually join parts of the side-edges of the front and back parts such that the diaper will include a waist opening and two leg openings. The diaper further comprises an elongated absorbent pad having a front and a rear end-part and a centre-part located therebetween, an inner casing layer placed on that side of the pad which is intended to face towards the wearer in use and an outer casing layer, or backing sheet, placed on the other side of the absorbent pad.

BACKGROUND OF THE INVENTION

In the case of diaper-wearing children who are in a transition period in which they learn to control the discharge of urine and are weaned-off the use of conventional diapers and trained to perform their bodily evacuative functions on the toilet, there is a need for an absorbent article which while absorbing body fluids will, at the same time, resemble a pair of conventional underpants. Absorbent pants-type diapers which are intended to be worn during such weaning or training periods are often referred to as training pants. One significant difference between an absorbent pants-type diaper and a conventional diapers is the manner in which they are intended to be worn in daily use. Absorbent pants-type diapers shall be capable of being taken-off and put-on repeatedly in the same manner as a pair of conventional underpants, until the wearer urinates in the pants-type diaper, wherewith the urine is absorbed by the pants, in precisely the same manner as a diaper, so that the pants-type diaper will continue to function as underpants in a user-safe fashion, until there is time and the opportunity to replace the soiled pants-type diaper with a fresh diaper. The soiled diaper can then be thrown away. The pants-type diaper will preferably be designed to give the wearer a decisive feeling that he/she is wearing a garment which is different from the diapers earlier used, and so that the wearer is able to remove the diaper easily, for instance when going to the toilet. In this latter respect, it is important, among other things, to give the pants-type diaper the form of a pair of pants, i.e. an article which has a waist opening and two leg openings, and not the form of a diaper that has fastener tabs or the like for joining the back-part of the diaper to the front-part thereof when putting-on the diaper. This latter procedure is highly complicated and extremely difficult for a child, or even an adult person, to achieve by himself/herself. In the case of known disposable pants-type diapers, or training pants, it has also been proposed to include an outer casing layer which is made of a textile-like, disposable material, such as to assimilate a genuine textile material to the greatest possible extent, so that primarily adult wearers are relieved of the psychologically negative association with napkins that is given unavoidably by the plastic outer casing sheets or layers characteristic of disposable diapers.

However, the requirement for pants-type diapers to resemble a pair of underpants creates a number of problems. The fastener tabs which function to secure diapers around the wearer's body also fulfil the important role of supporting the extra load occasioned by the not inconsiderable amount of fluid that is delivered to the absorbent pad. As a result of the fastener tabs, the waist part of the diaper, i.e. that part around the wearer's waist which is formed when the fastener tabs are secured to the diaper, becomes rigid and unyielding to a certain extent in those parts where the fastener tabs are attached. The waist parts of the diaper are thus prevented from stretching to an extent beyond that permitted by the material in the waist part of the diaper and in the rigid or inflexible fastener tabs. Naturally, the extent to which the waist part will yield or give varies among known fastener tabs, although the fastener tabs will normally place a limit on the extent to which the waist parts of the diapers can stretch. Consequently, the diapers remain safely in position on the wearer, even when the absorbent pad has been filled with urine, at least provided that the fastener tabs are secured tightly enough. This waist-tightening mechanism is not found in pants-type diapers, since they lack the provision of fastener tabs. Thus, the pants-type diapers are held-up around the wearer's waist totally through the agency of the diaper casing layers or sheets and any elastication that may be provided. When considering that pants-type diapers are intended to be used by diaper-wearing children from about two to four years of age, or by older children who suffer from incontinence, or even by adults, it will be understood that the quantities of fluid that are liable to be absorbed by the absorbent pad can be quite considerable and therewith also the weight that acts on the diapers. Consequently, high demands are placed on the construction of such pants-type diapers with regard to their load-supporting capacity, so that the pants-type diapers will not fall down the legs of the wearer under the weight of the fluid absorbed.

In addition to being able to support the weight of the absorbed fluid, the pants-type diaper shall also fit snugly around the wearer's body. Furthermore, the diaper shall be sufficiently elastic or stretchable to enable it to be readily pulled on and off.

The U.S. Pat. No. 4,205,679 teaches an absorbent pants-type diaper which is constructed from one or more layers of stretchable non-woven fabric. According to one preferred embodiment, both the outer and the inner casing sheet of the pants-type diaper is made of a micro-corrugated or micro-pleated non-woven material which in the manufacture of the material can be made stretchable in two directions, i.e. in the machine direction and in a direction transversely thereto. Elastic elements, for instance in the form of an elastic natural-rubber bands or ribbons are also mounted along the end-edges of the diaper, i.e. at its waist opening.

European Patent Application EP 0 320 001 A2 teaches an absorbent pants-type diaper which includes a central absorbent unit and two side-pieces which are joined with the absorbent unit along parts of the side-edges thereof. The side-pieces include elastic side-parts. In addition, elastic elements may be mounted to provide waist and leg elastic in certain embodiments. On the other hand, none of the casing sheets of the absorbent unit is made of an essentially stretchable material. The object of the invention is to provide vertical force vectors which function to urge the absorbent unit against the crotch of the wearer, and inwardly directed, horizontal force vectors towards the wearer's hips such as to press the absorbent unit against the sides of the wearer.

The European Patent Application EP 0 412 549 A1 teaches an absorbent pants-type diaper which includes elastic inner and outer casing sheets or layers and an elastic barrier layer mounted between said casing sheets. The pants-type diaper also includes elastic elements at both the waist and the leg openings.

The U.S. Pat. No. 4,690,681 teaches a pants-type absorbent article that is intended for use with menstruation or mild

incontinence. The absorbent pad is integrated with the article and the front and the back part of the article extend further up the body of the wearer than in the case of "normal" menstruation pads. On the other hand, the size of the absorbent pad is so restricted as to be considered unsuitable for use in absorbing larger quantities of urine. The absorbent pants include waist and leg elastic. The pants also include casing layers which are made of a stretchable material, for instance a mixture of nylon and cotton. The absorbent pad is located in an impermeable zone of the pants, between the side-pieces thereof. This impermeable zone includes non-stretchable material and the stretchability required to enable the pants to shape to the wearer's body is obtained totally from the stretchable material in the casing layers.

None of the aforementioned absorbent trouser diapers solves the problem of ensuring that the pants-type diapers will be capable of maintaining the absorbent pad in conforming abutment with the wearer's body and also of supporting the absorbent pad subsequent to the pad being filled with a large quantity of liquid.

Pants-type diapers which comprise casing layers that are made of stretchable material, such as the pants-type diapers taught by U.S. Pat. No. 4,205,679 and EP 0 412 549, are unsatisfactory because the casing layer in the crotch-part of the diaper in which the absorbent pad is located is also stretchable. Thus, the casing layer in the crotch-part of the diaper will stretch under the weight of the absorbent pad and the diaper will sag or hang like a sack between the legs of the wearer, that is if the diaper can be held-up at all. This is particularly disadvantageous when the casing layer is able to stretch in the longitudinal direction of the pants-type diapers, i.e. in a direction away from the waist part to the crotch-part of the diaper, since the force of gravity acts in this direction when the wearer stands upright, therewith increasing the strain on the casing layer in this direction.

Pants-type diapers which have solely elastically stretchable side-pieces or elastically stretchable casing layers in diaper parts other than those parts in which the absorbent pad is arranged, as taught by EP 0 320 991 and U.S. Pat. No. 4,690,681 respectively, also suffer drawbacks. The elastically stretchable parts of the casing layers of these diapers are not sufficiently effective to be able to hold the absorbent pad in against the wearer's body, above all the front-part of the absorbent pad against the wearer's stomach. Neither are the elastically stretchable side-pieces alone sufficiently active to be able to support the increase in load that results from the absorption of fluid by the absorbent pad. Neither are elastic elements that are mounted along the waist opening of the trouser diapers outside the end-edges of the absorbent pad satisfactory in holding the absorbent pad against the wearer's stomach or in supporting a liquid-filled absorbent pad.

SUMMARY OF THE INVENTION

The present invention, however, provides an absorbent pants-type diaper of the kind defined in the introduction which will effectively enable the diapers to lie sealingly against and shape conformingly to the wearer's body, while enabling the diapers to support an absorbent pad even when the pad is full of liquid. An inventive pants-type diaper is primarily characterized in that at least one of the front and the back parts of the diaper has at least one elastically stretchable region; in that the crotch-part is essentially non-stretchable in relation to said stretchable region; in that at least one of the respective end-parts of the absorbent pad is disposed within one of said elastically stretchable regions while the centre-part of the absorbent pad is disposed within the relatively non-stretchable crotch-part of the diaper, whereby those forces exerted by the elastically stretchable region on the end-part or end-parts of the absorbent pad will hold the absorbent pad in sealing abutment with the wearer's body when the trouser diaper is worn.

According to one embodiment of the invention, the stretchable region extends beyond the side-edges and end-edge of the front and/or the back end-part of the absorbent pad.

According to another embodiment, the stretchable region covers essentially the whole of the front-part and/or back-part.

According to a further embodiment of the invention, the stretchable region can stretch essentially in the transverse direction of the absorbent pad, but is essentially non-stretchable in the longitudinal direction of said pad.

The elastically stretchable region may, for instance, include elastically stretchable elements, e.g. elastically stretchable threads, bands, ribbons or the like which are mounted in a pre-stretched state, or an elastically stretchable material layer, for instance an elastically stretchable film, an elastically stretchable non-woven material, laminate, foamed material or the like.

According to another embodiment, the pants-type diaper includes elastically stretchable waist parts at the end-edge of the front and/or the back part at the waist opening of the diaper, said waist parts exhibiting a greater stretching and contraction force than the stretchable region in the front and/or the back part.

In the case of another embodiment of the invention, the elastically stretchable part at the waist opening includes an edge-part of the elastically stretchable material layer, said edge-part having at least twice the thickness of the remaining parts of said elastically stretchable material layer, as a result of folding the elastically stretchable material layer inwardly over itself at least once within said edge-part.

According to the present invention, the elastically stretchable region forms an elastically stretchable waist zone over the whole of or over parts of the front and/or the back parts of the diaper, said parts also extending over at least one end-part of the absorbent pad.

The elastic waist zone has an essentially greater extension in over the diaper in a direction from its end-edge than conventional, relatively narrow elastic elements mounted along the end-edge of the pants-type diaper. Furthermore, the elastic waist zone extends over the end-part or end-parts of the absorbent pad and not solely in the side-pieces externally of the side-edges of the absorbent pad, as in the case of the pants-type diaper taught by EP 0 320 991. In this way, there is obtained an elastically stretchable region in a waist zone which provides much better holding of the absorbent pad than that afforded by the earlier known solutions with elastic elements or side-pieces mounted outside the end-edges and side-edges of the absorbent pad.

The elastic waist zone of the inventive pants-type diaper is also highly significant in enabling the pants to remain in position on the wearer as the load increases. It is also important that the crotch-part of the diaper pants is essentially non-stretchable in comparison with the elastically stretchable waist zone. Thus, the casing layers within the crotch-part will not stretch under the weight of the liquid-filled absorbent pad, as is the case with the earlier known pants-type diapers that are comprised of totally stretchable casings.

According to one particularly advantageous embodiment of the invention, the elastic waist zone can stretch in the

transverse direction of the absorbent pad, but is relatively non-stretchable in the longitudinal direction of said pad. This is advantageous, because it counteracts the tendency of the casing layer of the pants-type diaper to stretch in the longitudinal direction of the absorbent pad, such stretching otherwise resulting in greater risk that the diaper will sag or hang down between the legs of the wearer.

A particular advantage is obtained with an elastic waist zone which extends essentially over the full width of the front and the back parts, i.e. around the whole of the waist part formed by the diaper pants. This will increase the girth of the pants in comparison with pants provided solely with elastically stretchable side-pieces, which is important among other things in order to enable the waist opening to be widened when taking-off and putting-on the pants and to enable pants of one and the same size to fit users of different sizes, therewith restricting the number of pants-type diaper sizes to a minimum.

BRIEF DESCRIPTION OF THE DRAWINGS

The invention will now be described in more detail with reference to exemplifying embodiments thereof and also with reference to the accompanying drawings, in which

FIG. 1 illustrates schematically and from above an absorbent pants-type diaper constructed in accordance with the invention, with that side of the diaper that is intended to lie distal from the wearer facing towards the viewer, said diaper being shown in a state in which the front and the back parts thereof have still not yet been joined together to form waist and leg openings respectively, and in which the elastic elements of the diaper are in a stretched state;

FIG. 2 is a sectional view taken on the line II—II in FIG. 1;

FIG. 3 is a front view which illustrates the pants-type diaper in an assembled state; and

FIG. 4 is a perspective view of a simplified embodiment of a waist part of pants-type diapers in accordance with another embodiment of the invention.

DETAILED DESCRIPTION OF THE INVENTION

FIG. 1 illustrates an absorbent pants-type diaper in an unassembled state, i.e. a state in which the waist and leg openings of the pants have not yet been formed. The pants-type diaper includes a front-part 1, which is intended to be placed forwardly on the wearer, a back-part 2, which is intended to be placed rearwardly on the wearer, and a crotch-part 3 which is located between the front and the back parts 1, 2 and which is intended to be placed between the thighs of the wearer. No precise limits can be drawn between the respective parts and the size relationships therebetween can vary, and consequently the division illustrated in FIG. 1 can only be seen as a schematic example. Each of the front and the back parts have two side-edges 4, 5 and one end-edge 6, 7. The crotch-part 3 has two side-edges 8. As will be seen from FIG. 3, when the pants-type diaper is in its assembled or ready-to-wear state, the diaper has a waist opening 9 between respective end-edges 6, 7 of the front and the back parts, and two leg openings 10, 11 which are surrounded by respective side-edges 8 of the crotch-part. Respective side-edges 4 of the front-part are joined to corresponding respective side-edges 5 of the back-part, such that the pants-type diaper will present two side-closure parts 12, 13 which extend from the waist opening 9 to respective leg openings 10, 11, on respective sides of the diaper. The side closures may be obtained with the aid of heat-sealing, ultrasonic-welding, gluing or sewing techniques or some other suitable conventional technique.

It will be seen from FIGS. 1 and 2 that the pants-type diaper includes an elongated absorbent pad 14 which extends in the longitudinal direction of the diaper and which is enclosed between an inner casing layer 15 and an outer casing layer 16, with the latter layer facing towards viewer of FIG. 1. The inner casing layer 15 is placed on that side of the absorbent pad 14 which faces towards the wearer in use and is liquid-permeable and comprised, for instance, of a non-woven material. The fibers may be comprised, for instance, of polyethylene, polypropylene, polyester or mixtures thereof. They may also be comprised of viscose fiber. It is also conceivable for the inner casing layer 15 to be comprised of a perforated plastic sheet, for instance perforated polyethylene film or the like. The outer casing layer or backing sheet 16 is liquid-impermeable or at least hydrophobic and may, for instance, be comprised of a sheet of polyethylene or a non-woven material which has been coated or laminated with polyolefin for instance, so as to become liquid-impermeable or at least hydrophobic.

The absorbent material in the absorbent pad 14 may, for instance, comprise cellulose fibers. The material may also include other absorbents, such as polymeric hydrocolloidal material, for instance in particle form. Such materials are normally referred to as superabsorbents, by which is meant materials whose liquid absorbing capacity is equal to many times their own weight. The absorbent pad may also include non-absorbent material, for instance thermoplastic melt fibers, with the intention of strengthening the absorbent pad. Although the absorbent pad 14 shown in FIG. 2 has only one single layer, it will be understood that the absorbent pad may conceivably comprise more than one layer.

The illustrated absorbent pad 14 also has a front end-part 17, a rear end-part 18, an intermediate centre-part 19, two side-edges 20, 21 and two end-edges 22, 23. The absorbent pad 14 is essentially rectangular in shape, although the two end-parts 17, 18 are slightly wider than the centre-part 19. The absorbent pad, however, is not restricted to the shape illustrated in FIG. 1, and other shapes, such as hourglass shapes or T-shapes are conceivable.

The extension of the inner casing layer 15 is equally as large as the extension of the pants-type diaper. The absorbent pad 14 is narrower and shorter than the inner casing layer 15 and is displaced slightly forwards in the diaper, wherein the front end-part 17 of the absorbent pad is located in the front-part 1 of the diaper, the centre-part 19 of the absorbent pad is located in the crotch-part 3 of the diaper and the rear end-part 18 of the absorbent pad has parts located in both the crotch-part 3 of the diaper and in the back-part 2. The front end-edge 22 of the absorbent pad is disposed closer to the front end-edge 6 of the diaper than the rear end-edge 7 is disposed relative to the rear end-edge 23 of the absorbent pad. Naturally, other variants are conceivable. For instance, the absorbent pad may extend essentially along the whole length of the diaper, or alternatively no part of the absorbent pad may be disposed in the back-part at all, when, in the former case, it is desired to increase the size of the absorbent pad or, in the latter case, when wishing to produce a more airy diaper. The outer casing layer 16 does not have the same longitudinal extension as the inner casing layer 15, and the rear end-edge of the outer casing layer, indicated by the broken line 24, terminates just short of the rear end-edge 23 of the absorbent pad. Furthermore, the outer casing layer 16 in the rear-part 2 of the diaper only extends laterally through a small distance outside the side-edges 20, 21 of the absor-

brief pad. Neither does the outer casing layer 16 in the front-part 1 of the diaper pants extend laterally and longitudinally to the same extent as the inner casing layer 15, but solely extends through a short distance beyond the front end-edge 22 and the side-edges 20, 21 of the absorbent pad, as indicated by the broken line 23 in FIG. 1. This means that large parts of the back-part 2 and the front-part 1 of the diaper pants will not be covered by the outer casing layer 16, thereby facilitating the passage of air through the diaper casing within these parts. Naturally, the outer casing layer 16 may also have an extension which coincides essentially with the extension of the inner casing layer 15, when wishing to improve protection against leakage over essentially the whole of the surface of the casing layers, in which case the outer casing layer 16 is preferably made permeable to both air and vapour.

A plurality of transverse elastic elements 26, for instance elastic threads, bands, ribbons or the like, are mounted in a pre-stretched state transversely over the front-part 1 and the rear-part 2. The number of elastic elements provided is not restricted to the number shown in FIG. 1, and the number of elements 26 may be more or less than that shown. In the front and the back parts 1 and 2, respective layers 27 and 28 of textile-like material, for instance non-woven material, are placed outermost on the diaper. The elastic threads 26 are mounted between these layers 27, 28 and the outer casing layer 16 and the inner casing layer 15 within those parts of the front and back parts in which the outer casing layer 16 does not extend. The back layer 28 and also the front layer 27 thus extend slightly in over the rear end-edge 23 and the front end-edge 22 of the absorbent pad, said layers also covering a piece of the outer casing layer 16. Instead of two separate textile-like layers, it is conceivable to apply one single textile-like layer over the whole of the diaper, this layer similarly covering the elastic elements 26 and also the whole of the outer casing layer 16.

Thus, the front and the back parts 1, 2 of the diaper pants will have regions 29, 30 which are elastically stretchable essentially in the transverse direction of the diaper and which, in the FIG. 1 embodiment, coincide essentially with the front and the back parts 1, 2. Instead of elastic bands, ribbons, threads or the like, it is conceivable for the stretchable regions 29, 30 to comprise an elastically stretchable material, for instance an elastically stretchable film, an elastically stretchable non-woven material, laminate, foamed material or the like. An elastically stretchable film may, for instance, include ethylene vinyl acetate, ethylene acrylic acid, ethylene butyl acetate, polyurethane, styrene butadiene, polybutadiene, polyisoprene, isoprene rubber or ethylene propylene rubber. A similar elastically stretchable material may also be disposed so that the elastically stretchable regions 29, 30 are essentially stretchable solely in the transverse direction of the diaper.

The aforesaid elements 26 or said materials are joined with at least a respective one of the inner or outer casing layers 15, 16 or respective textile-like layers 27, 28 in respective elastically stretchable regions 29, 30, at least in discrete regions.

The pants-type diaper also has elastically stretchable front and back waist parts 31, 32 along the front and the rear end-edges 6, 7 of the diaper respectively. Two elastic elements 33 are mounted along respective end-edges 6, 7 within respective waist parts 31, 32. These elastic elements 33 may also be fewer or more than two in number. The elastic elements 33 may be comprised of elastic threads, bands, ribbons or the like mounted in a pre-stretched state. The elastic elements 33 in the waist parts 31, 32 may also exhibit greater stretching and contraction power than the individual elastic elements 26 in the aforesaid elastically stretchable regions 29, 30. For instance, the elastic elements 33 in the waist parts 31, 32 may be comprised of broad and strong bands, whereas the elastic elements 26 in the elastically stretchable regions 29, 30 may be comprised of thin threads.

As an alternative to threads or bands, it is conceivable to use elastic films, laminates, non-woven material, foamed material or like material also in the waist parts 31, 32. For instance, in this regard, it is possible to use the same elastic film which forms, at the same time, elastic elements within the stretchable regions 29, 30. FIG. 4 illustrates a simplified embodiment in which one edge-part 35 of an elastically stretchable film 36 has been folded in over itself, so as to obtain triple film thickness within the aforesaid edge-part 35. In the case of the embodiment illustrated in FIGS. 1–3, this edge-part 35 may be included in the elastically stretchable waist part 31, 32 at the waist opening 9 of the diaper pants, while remaining parts of the film 36 are included in the elastically stretchable region in the front-part 1 and/or the back-part 2.

The pants-type diapers also include other elastically stretchable elements 34, preferably in the form of elastically stretchable bands, ribbons, threads or the like which are mounted in a pre-stretched state along the respective side-edges 8 of the crotch-part of the diaper, from a border region between the front-part 1 and the crotch-part 3 to a border region between the back-part 2 and the crotch-part 3. In the FIG. 1 embodiment, the aforesaid other elastically stretchable elements 34 are two in number along respective side-edges 8, although this number may equally as well be greater and fewer than two. The aforesaid further elastic elements 34 exhibit in a direction towards the front-part 1 a successively decreasing distance between two elements 34 mounted on respective sides of the absorbent pad 14.

It will be understood, however, that the aforesaid further elastically stretchable elements 34 may be disposed in any other pattern whatsoever, for instance they may be disposed generally parallel with the longitudinal direction of the absorbent pad.

The invention shall not be considered restricted to the illustrated exemplifying embodiments thereof, since several variations are conceivable within the scope of the following claims.

What is claimed is:

1. In an absorbent pants-type diaper which is intended for one-time use only and which comprises:

a front part having side edges and an end edge;

a back part having side edges and an end edge;

a crotch part between the front and back parts;

at least two side-closure parts which mutually join parts of the side-edges of respective front and back parts, so that the pants-type diaper will present a waist opening and two leg openings;

an elongated absorbent pad comprising at least one absorbent layer having a front end a rear end part and an intermediate central part;

an inner casing layer placed on that side of the absorbent layer which is intended to face towards a wearer; and

an outer casing layer which is placed on the other side of the absorbent layer, the improvement wherein the pants-type diaper further comprises at least one elastically stretchable region covering essentially the whole of at least one of the respective front and back parts; the

crotch part being essentially non-stretchable in relation to said stretchable region; at least one of the respective end parts of the absorbent layer being disposed within one of said elastically stretchable regions; the central part of the absorbent layer being disposed within the relatively non-stretchable crotch part of the diaper; and at least one of the stretchable regions being disposed on the side of the absorbent layer facing away from the inner casing layer, whereby those forces that are exerted by the elastically stretchable region on at least one of the end part of the absorbent layer function to hold the absorbent layer in sealing abutment with the wearer when the pants-type diaper is worn.

2. The pants-type diaper according to claim 1, wherein the stretchable region extends beyond the side edges and the end edge of at least one of the front and back end parts of the absorbent layer.

3. The pants-type diaper according to claim 1, wherein the stretchable region is stretchable essentially in the transverse direction of the absorbent pad but is essentially non-stretchable in the longitudinal direction of said pad.

4. The pants-type diaper according to claim 1, wherein the stretchable region includes elastically stretchable elements which are mounted in a pre-stretched state.

5. The pants-type diaper according to claim 4, wherein the elastically stretchable elements are joined with at least one of the casing layers at least in separate regions.

6. The pants-type diaper according to claim 5, wherein the stretchable elements of the stretchable region are applied to the outside of the outer casing layer and are covered by at least one additional outer casing layer of textile-like material.

7. The pants-type diaper according to claim 1, wherein the stretchable region includes an elastically stretchable material layer.

8. The pants-type diaper according to claim 7, wherein the elastically stretchable material layer is joined with at least one of the casing layers at least in separate regions.

9. The pants-type diaper according to claim 8, wherein the elastically stretchable material layer is applied to the outside of the outer casing layer and is covered by at least one additional outer casing layer of textile-like material.

10. The pants-type diaper according to claim 1, wherein at least one of the end edge of the front and the back parts has at the waist opening at least one elastically stretchable waist part whose stretching and contraction power is greater than the remainder of the stretchable region.

11. The pants-type diaper according to claim 10, wherein the elastically stretchable waist part at the waist opening includes elastically stretchable elements which are mounted in a pre-stretched state.

12. The pants-type diaper according to claim 10, wherein the stretchable region includes an elastically stretchable material layer, and the elastically stretchable waist part at the waist opening includes an edge-part of the elastically stretchable material layer, said edge-part having a thickness which is at least twice the thickness of the remaining parts of said elastically stretchable material layer, by virtue of being folded in over itself at least once within said edge-part.

13. The pants-type diaper according to claim 1, further including elastically stretchable elements mounted in a pre-stretched state, and disposed along side-edges of the diaper, at least within the crotch part, so that the distance between two elastically stretchable elements mounted on respective side-edges of the diaper will decrease successively in a direction towards said front-part.

14. The pants-type diaper according to claim 1, wherein the outer casing layer is liquid-impermeable; the outer casing layer in the front and the back part extending only slightly beyond edges of the absorbent pad; and portions of the front and the back parts which lie outside the outer casing layer are comprised of at least one of liquid-permeable and air-permeable material.

15. In an absorbent pants-type diaper which is intended for one-time use only and which comprises:

a front part having side edges and an end edge;

a back part having side edges and an end edge;

a crotch part between the front and back parts;

at least two side-closure parts which mutually join parts of the side-edges of respective front and back parts, so that the pants-type diaper will present a waist opening and two leg openings;

an elongated absorbent pad comprising at least one absorbent layer having a front and a rear end part and an intermediate central part;

an inner casing layer placed on that side of the absorbent layer which is intended to face towards a wearer; and

an outer casing layer which is placed on the other side of the absorbent layer, the improvement wherein at least one of the respective front and back parts has at least one elastically stretchable region; the crotch part being essentially non-stretchable in relation to said stretchable region; at least one of the respective end parts of the absorbent layer being disposed within one of said elastically stretchable regions; the central part of the absorbent layer being disposed within the relatively non-stretchable crotch part of the diaper; at least one of the stretchable regions being disposed on the side of the absorbent layer facing away from the inner casing layer, whereby those forces that are exerted by the elastically stretchable region on at least one of the end part of the absorbent layer function to hold the absorbent layer in sealing abutment with the wearer when the pants-type diaper is worn; and at least one of the end edge of the front and the back parts has at the waist opening of the pants at least one elastically stretchable waist part whose stretching and contraction power is greater than the remainder of the stretchable region.

16. The pants-type diaper according to claim 15, wherein the stretchable region extends beyond the side edges and the end edge of at least one of the front and back end parts of the absorbent layer.

17. The pants-type diaper according to claim 16, wherein the stretchable region covers essentially the whole of at least one of the respective front and back parts.

18. The pants-type diaper according to claim 15, wherein the stretchable region is stretchable essentially in the transverse direction of the absorbent pad but is essentially non-stretchable in the longitudinal direction of said pad.

19. The pants-type diaper according to claim 15, wherein the stretchable region includes elastically stretchable elements which are mounted in a pre-stretched state.

20. The pants-type diaper according to claim 19, wherein the elastically stretchable elements are joined with at least one of the casing layers at least in separate regions.

21. The pants-type diaper according to claim 20, wherein the stretchable elements of the stretchable region are applied to the outside of the outer casing layer and are covered by at least one additional outer casing layer of textile-like material.

22. The pants-type diaper according to claim 15, wherein the stretchable region includes an elastically stretchable material layer.

23. The pants-type diaper according to claim 22, wherein the elastically stretchable material layer is joined with at least one of the casing layers at least in separate regions.

24. The pants-type diaper according to claim 23, wherein the elastically stretchable material layer is applied to the outside of the outer casing layer and is covered by at least one additional outer casing layer of textile-like material.

25. The pants-type diaper according to claim 15, wherein the elastically stretchable waist part at the waist opening includes elastically stretchable elements which are mounted in a pre-stretched state.

26. The pants-type diaper according to claim 15, wherein the stretchable region includes an elastically stretchable material layer, and the elastically stretchable waist part at the waist opening includes an edge-part of the elastically stretchable material layer, said edge-part having a thickness which is at least twice the thickness of the remaining parts of said elastically stretchable material layer, by virtue of being folded in over itself at least once within said edge-part.

27. The pants-type diaper according to claim 15, further including elastically stretchable elements mounted in a pre-stretched state, and disposed along side-edges of the diaper, at least within the crotch part, so that the distance between two elastically stretchable elements mounted on respective side-edges of the diaper will decrease successively in a direction towards said front-part.

28. The pants-type diaper according to claim 15, wherein the outer casing layer is liquid-impermeable; the outer casing layer in the front and the back part extending only slightly beyond edges of the absorbent pad; and portions of the front and the back parts which lie outside the outer casing layer are comprised of at least one of liquid-permeable and air-permeable material.

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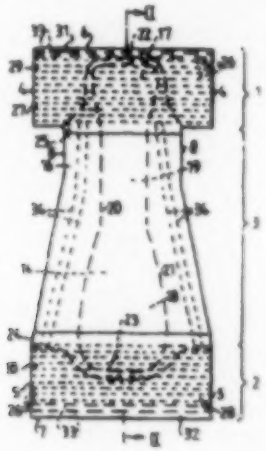
Primary Examiner Michael O'Neill

(57) ABSTRACT

A disposable, absorbent pants-type diaper includes a front-part (1), a back-part (2), a crotch-part (3) between the front and back parts (1, 2), at least two side-closure parts (12, 13) which mutually join parts of the side-edges (4, 5) of respective front and back parts, so that the pants will present a waist opening (9) and two leg openings (10, 11). The diaper pants further include an elongated absorbent pad (14), an inner casing layer (15), and an outer casing layer (16). At least one of the respective front and back parts (1, 2) has at least one elastically stretchable region (29, 30). The crotch-part (3) is essentially non-stretchable in relation to the stretchable region (29, 30). At least one of respective end-parts (17, 18) of the absorbent pad (14) is disposed within one of the elastically stretchable regions (29, 30), while the center-part (19) of the absorbent pad is disposed within the relatively non-stretchable crotch-part (3) of the pants.



SA10

EX PARTE REEXAMINATION CERTIFICATE ISSUED UNDER 35 U.S.C. 307

THE PATENT IS HEREBY AMENDED AS INDICATED BELOW.

Matter enclosed in heavy brackets [ ] appeared in the patent, but has been deleted and is no longer a part of the patent; matter printed in italics indicates additions made to the patent.

AS A RESULT OF REEXAMINATION, IT HAS BEEN DETERMINED THAT:

The patentability of claims 1-28 is confirmed.

New claims 29-38 are added and determined to be patentable.

29. The pants-type diaper according to claim 1, wherein the pants-type diaper comprises two elastically stretchable regions covering essentially the whole of each of the respective front and back parts.

30. The pants-type diaper according to claim 29, wherein the end edge of the front part has at the waist opening an elastically stretchable waist part whose stretching and contraction power is greater than the remainder of the stretchable region of the front part and wherein the end edge of the back part has at the waist opening an elastically stretchable waist part whose stretching and contraction power is greater than the remainder of the stretchable region of the back part.

31. The pants-type diaper according to claim 15, wherein the pants-type diaper comprises two elastically stretchable regions covering essentially the whole of each of the respective front and back parts.

32. The pants-type diaper according to claim 31, wherein the end edge of the front part has at the waist opening an elastically stretchable waist part whose stretching and contraction power is greater than the remainder of the stretchable region of the front part and wherein the end edge of the back part has at the waist opening an elastically stretchable waist part whose stretching and contraction power is greater than the remainder of the stretchable region of the back part.

33. The pants-type diaper according to claim 31, wherein both of the respective end parts of the absorbent layer are disposed within said elastically stretchable regions.

34. The pants-type diaper according to claim 15, wherein the at least one elastically stretchable waist part extends over at least one end-part of the absorbent pad.

35. The pants-type diaper according to claim 1, wherein the at least one elastically stretchable region covering essentially the whole of at least one of the respective front and back parts includes a plurality of spaced apart elastically stretchable elements,

wherein the at least one elastically stretchable region covering essentially the whole of at least one of the respective front and back parts comprises a first portion having at least one elastically stretchable element and a second portion having at least one elastically stretchable element, and

wherein the at least one of the respective end parts of the absorbent layer being disposed within the at least one elastically stretchable region covering essentially the whole of at least one of the respective front and back parts is disposed within the first portion, and is not disposed within the second portion.

36. The pants-type diaper according to claim 35, wherein the plurality of spaced apart elastically stretchable elements are elastically stretchable threads.

37. The pants-type diaper according to claim 17, wherein the at least one elastically stretchable region covering essentially the whole of at least one of the respective front and back parts includes a plurality of spaced apart elastically stretchable elements,

wherein the at least one elastically stretchable region covering essentially the whole of at least one of the respective front and back parts comprises a first portion having at least one elastically stretchable element and a second portion having at least one elastically stretchable element, and

wherein the at least one of the respective end parts of the absorbent layer being disposed within the at least one elastically stretchable region covering essentially the whole of at least one of the respective front and back parts is disposed within the first portion, and is not disposed within the second portion.

38. The pants-type diaper according to claim 37, wherein the plurality of spaced apart elastically stretchable elements are elastically stretchable threads.

* * * * *

No. 15-927

Supreme Court, U.S.
FILED
JUL 15 2016
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR PETITIONERS

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Dated: July 15, 2016

QUESTION PRESENTED

Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.

PARTIES TO THE PROCEEDINGS

All parties to the proceedings are identified in the caption.

CORPORATE DISCLOSURE STATEMENT

Petitioners SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. are wholly-owned subsidiaries of Svenska Cellulosa Aktiebolaget SCA (publ.) which is traded on the Swedish stock exchange. No other publicly traded company owns 10% or more of the stock of Petitioners SCA Hygiene Products Aktiebolag or SCA Personal Care, Inc.

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OPINIONS BELOW

The en banc opinion of the United States Court of Appeals for the Federal Circuit is reported at 807 F.3d 1311 and reprinted at Pet. App. 1a–66a. The panel opinion of the United States Court of Appeals for the Federal Circuit is reported at 767 F.3d 1339 and reprinted at Pet. App. 67a–91a. The opinion of the United States District Court for the Western District of Kentucky granting summary judgment is unreported but available at 2013 WL 3776173 and reprinted at Pet. App. 92a–120a.

JURISDICTION

The United States Court of Appeals for the Federal Circuit entered its en banc judgment on September 18, 2015. Pet. App. 1a. On November 23, 2015, the Chief Justice granted Petitioners' request to extend the time to file a petition for writ of certiorari to and including January 19, 2016, no. 15A546. The petition for writ of certiorari was filed on that date and granted on May 2, 2016. This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Section 282(b) of the Patent Act, 35 U.S.C. § 282(b) (2010), the version of the statute applicable to this case, provides:

> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> (1) Noninfringement, absence of liability for infringement or unenforceability,
>
> (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,
>
> (3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,
>
> (4) Any other fact or act made a defense by this title.

All citations to section 282 herein refer to the 2010 version of the section, unless otherwise noted.

Section 283 of the Patent Act, 35 U.S.C. § 283, provides in relevant part:

> The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.

Section 286 of the Patent Act, 35 U.S.C. § 286, provides:

> Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.
>
> In the case of claims against the United States Government for use of a patented invention, the period before bringing suit, up to six years, between the date of receipt of a written claim for compensation by the department or agency of the Government having authority to settle such claim, and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as part of the period referred to in the preceding paragraph.

STATEMENT

Section 286 of the Patent Act expressly provides that a patent holder has six years to bring a damages claim to redress any act of infringement. Nowhere does section 286 authorize the use of the equitable doctrine of laches to cut short a patent holder's legal right to bring suit within this statutory time period. Yet the court below concluded that laches is available for that purpose. Worse, it applied a presumption of laches to truncate Petitioners' right to pursue legal damages claims.

Where Congress has not authorized the judiciary to limit statutory rights for equitable reasons, using the equitable defense of laches to truncate legal rights contradicts our legal tradition, usurps the legislative function, and exceeds the judicial prerogative. Just two terms ago, in *Petrella*, this Court applied that teaching in a virtually indistinguishable setting: a claim that laches could be used to truncate the Copyright Act's three-year limitations period. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014). Just as the Court rejected the use of laches there, it should do so here. Although the equitable defense of laches is sometimes available to supplement legal rights under certain conditions, and may limit *equitable* remedies, it may not be used to cut off statutorily prescribed *legal* rights unless Congress expressly so provides.

Congress has not expressed any such intention in the Patent Act. And if Congress had intended to give courts the authority to shorten the six-year period in section 286 on the equitable ground of laches, it could easily have done so. Section 283 of the Patent Act

expressly authorizes courts to issue injunctions in patent suits "in accordance with the principles of equity." In contrast, section 286 contains no similar grant of equitable discretion. That omission is both deliberate and unsurprising: adding an equitable laches defense to section 286 would not only undermine the certainty and uniformity Congress sought to establish with the provision it passed, but would also encourage patent holders to litigate prematurely in order to avoid losing their rights for obscure and uncertain equitable reasons.

Because section 286 unambiguously establishes a six-year limitations period, Respondents bear an exceptionally heavy burden of proving that Congress intended something other than what it actually enacted. There is, however, no sound argument that Congress intended to authorize the federal courts to use laches to shorten this six-year period—let alone the kind of exceptionally compelling evidence needed to overcome the statute's clear terms. Thus, laches cannot be used to impair a patent holder's statutory ability to enforce its property rights through the pursuit of legal damages claims.

A. Statutory Background

1. *The History of the Patent Act's Statute of Limitations.* The Patent Act authorizes patent holders to bring suit seeking damages and, in appropriate cases, injunctive relief to vindicate their rights. 35 U.S.C. §§ 281, 283, 284. Regarding the timeliness of damages claims, section 286 of the Patent Act specifically provides in relevant part: "Except as otherwise provided by law, no recovery shall be had for any infringement committed more

than six years prior to the filing of the complaint or counterclaim for infringement in the action." 35 U.S.C. § 286. The provision evolved out of the need to create a national uniform limitations period for patent infringement claims and has its roots in the nineteenth century.

Through the 1800s, suits for legal damages in patent cases were administered separately from actions for equitable relief, with each proceeding having its own rules of procedure. *See Root v. Lake Shore & M.S. Ry. Co.*, 105 U.S. 189, 191–207 (1881) (canvassing history and distinctions between legal and equitable patent actions), *superseded by rule, as recognized sub silentio in Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 471 (1962). Before 1870, there was no federal limitations period for legal or equitable patent claims. In 1870, Congress made significant revisions to the patent laws and included, for the first time, a six-year limitations period. Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206. That provision, however, was short-lived.

In 1874, Congress codified the United States laws into the Revised Statutes, leaving out the 1870 patent statute of limitations. *Campbell v. City of Haverhill*, 155 U.S. 610, 613–14 (1895), *superseded by statute*, Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 694. The courts were then left to determine the timeliness of a patent infringement claim without express statutory guidance, and a split of authority on the issue developed. *Id.* Some courts borrowed different state limitations periods, while others refused to apply any limitations period at all. *Id.* at 613. This Court resolved that controversy in *Campbell*, determining

that, because Congress had not spoken, the proper course was to borrow from state law. *Id.* at 616–21.

The practice of borrowing from state law that *Campbell* endorsed resulted in a patchwork of different limitations periods across the country. Both the patent bar and Congress had significant concerns about this variable practice and worked to replace it with a uniform national rule. *See* H.R. REP NO. 54-940, at 2 (1896). In 1897, Congress did so by again enacting a uniform six-year federal limitations period for patent infringement actions. Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 692, 694.

At the time that Congress passed this provision, it was generally accepted that a statutory limitations period was binding on the courts of law and not subject to equitable curtailment. In 1894, for example, this Court reiterated the common-law rule that "[i]f the plaintiff at law has brought his action within the period fixed by the statute of limitations, no court can deprive him of his right to proceed." *Wehrman v. Conklin*, 155 U.S. 314, 326 (1894). At no time during this period did this Court approve the use of laches to curtail statutorily prescribed legal rights in patent proceedings.

Over the next fifty years, the limitations provision underwent further minor revision. After amendment in 1946 it read: "but recovery shall not be had for any infringement committed more than six years prior to the filing of the complaint in the action." Act of Aug. 1, 1946, ch. 726, § 4921, 60 Stat. 778, 778.

2. *The 1952 Patent Act.* In 1951, a subcommittee of the House Committee on the Judiciary held hearings on a "bill to revise and codify the laws

relating to patents and the Patent Office, and to enact into law title 35 of the United States Code entitled 'Patents.'" H.R. 3760, 82d Cong. (1951). At the hearings, the portion of the bill that became section 286 was specifically referred to as "the statute of limitations." *Hearings on H.R. 3760 Before Subcomm. No. 3 of the H. Judiciary Comm.*, 82d Cong. 80, 108 (1951) (statements of Capt. George N. Robillard, U.S. Navy, Appearing for the Dept. of Defense, and P.J. Federico, U.S. Patent Office). The House and Senate Reports accompanying the bill also referred to section 286 as "the statute of limitations." H.R. REP. NO. 82-1923, at 10 (1952); S. REP. NO. 82-1979, at 8–9 (1952). At the time of the bill's passage, the first paragraph of section 286 incorporated the language from the 1946 statute of limitations quoted above, and the second paragraph added a provision permitting extension of the six-year term in cases involving suits against the government. Act of July 19, 1952, Pub. L. No. 82-593, 66 Stat. 792, 813. As far as the record reveals, at no point in the legislative process did anyone ever suggest that the six-year limitations period could be shortened through the use of laches. The bill was approved on July 19, 1952. *Id.* Section 286 remains in the same form today

B. Factual and Procedural History

1. *The Initial Correspondence.* Petitioners SCA Hygiene Products Aktiebolag and SCA Personal Care, Inc. (collectively, "SCA") manufacture and sell adult incontinence products worldwide, which are sold in the United States under the TENA® label. SCA inventors developed an innovative protective underwear design and patented the invention in U.S. Patent

No. 6,375,646 ("the '646 patent"), which issued on April 23, 2002. Supp. J.A. SA1–9. Respondents First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., and First Quality Retail Services, LLC (collectively, "First Quality") manufacture private label disposable products that emulate the products designed by the branded market leaders, such as SCA. *See, e.g.*, A0110–A0111; A1229:9–A1230:13; A1453. (All A__ cites are to the Federal Circuit appendix.)

In 2003, SCA and First Quality exchanged correspondence relating to the '646 patent and First Quality's use of SCA's patented technology. J.A. 52a–55a. In its defense, First Quality took the position that SCA's patent was invalid in light of U.S. Patent No. 5,415,649 issued previously to an unrelated party (the "Watanabe patent"), arguing that the Watanabe patent had previously disclosed the invention in the '646 patent and thus rendered SCA's patent invalid. J.A. 52a–53a. Thereafter, First Quality never asked for a further response from SCA. According to First Quality, after it sent its letter the matter "was never thought of again." A1171:19–A1172:7

2. *PTO Reexamination.* Rather than file suit immediately, SCA sought guidance from the U.S. Patent and Trademark Office ("PTO") regarding the validity of its patent. In July 2004, SCA filed a request for a reexamination of its patent in light of the Watanabe patent. Supp. J.A. SA10–11. Reexamination files are open to public inspection, 37 C.F.R. § 1.11(c)–(d) (2004), and the PTO notified the public of SCA's reexamination request in August 2004. J.A.

49a–50a. The Internet allows easy access to reexamination files. *See* portal.uspto.gov/pair/ PublicPair.

The PTO took almost three years to conclude the reexamination. In March 2007, the PTO issued a reexamination certificate, which is the final agency action setting forth its decision on the reexamination process. Supp. J.A. SA10–11. The PTO confirmed the validity of all claims in SCA's '646 patent, vindicating SCA's view that the Watanabe patent was not prior art that invalidated the '646 patent. At SCA's request, the PTO also agreed to grant new claims 29–38, embodying variations of the original invention.[1] Supp. J.A. SA10–11. These new claims, however, were issued as of the date of the certificate.

3. *Proceedings in the District Court.* In August 2010, three years and four months after the PTO finished its reexamination, and six years and ten months after SCA first wrote to First Quality, SCA filed its patent infringement suit in the United States District Court for the Western District of Kentucky. J.A. 23a, Dkt. No. 1. SCA's one-count complaint sought damages and equitable relief for First Quality's infringement of the '646 patent through making, using, and selling its Prevail line and private label adult incontinence products. *Id. See also* A0056.

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[1] In the patent context, a "claim" refers to the portion of the patent that particularly describes the subject matter of the invention. The "new claims" in this case referred to particular descriptions of variations of the subject matter of the original patent.

Following discovery, First Quality moved for summary judgment, asserting that SCA's claim for infringement of the '646 patent was barred by laches and equitable estoppel. A0235–A0309. At that point in the litigation, SCA had infringement claims pending with respect to original claims 1–11 and 15–25, as well as additional claims 35–38, which issued following the reexamination. *See* A0346, A0382, A0411. At the time, the Federal Circuit's decision in *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc) governed the requirements for proving laches and estoppel in patent cases. In order to establish laches, *Aukerman* required proof that (1) the patentee had unreasonably and inexcusably delayed bringing suit, and (2) the delay had materially prejudiced the infringer. *Id.* at 1032. In addition, if the delay was greater than six years, the court applied a presumption that both elements were present, *id.* at 1035, which presumption could be overcome through the introduction of evidence, *id.* at 1037–38. In order to demonstrate estoppel, *Aukerman* required proof that (1) the patent holder had misled the infringer into believing reasonably that the patentee did not intend to enforce its patent rights, (2) the infringer had relied on the patent holder's misleading conduct, and (3) the infringer had suffered material prejudice. *Id.* at 1041–42. For both laches and estoppel, the prejudice could be either economic or evidentiary prejudice. *Id.* at 1033, 1043.

SCA opposed First Quality's motion for summary judgment on its laches and estoppel theories. It urged, among other things, that there was no unreasonable delay because SCA had reasonably

sought reexamination of its own patent. Pet. App. 101a–05a; A1097, A1129–34. SCA also disputed First Quality's claim of economic prejudice, arguing that First Quality had made an unspecified assertion that it had expanded its business during the delay. Pet. App. 105a–07a; A1097, A1124–29. SCA contended that First Quality had simply followed its business opportunities, something it would have done regardless of when SCA filed suit. Pet. App. 105a–11a; A1124–29. As evidence, SCA submitted deposition testimony from nine witnesses to rebut the presumption of economic prejudice. *See, e.g.*, A1097–A1144; A1407–11; A1460–67.

The district court found that, under *Aukerman*, the reliance and prejudice elements of laches were presumed and SCA's good faith in taking its own patent to the PTO for reexamination was irrelevant. As a result, it granted summary judgment, holding that laches barred SCA's claims for pre-suit damages. Pet. App. 100a–11a. The district court further found that there was no genuine issue of material fact for trial regarding First Quality's motivation in expanding its business, or on the issues of reliance or prejudice, so it also granted summary judgment against SCA on the estoppel theory. Pet. App. 111a–20a.

4. *Proceedings Before the Federal Circuit Panel.* SCA appealed the district court's ruling to a panel of the Federal Circuit. While the case was under submission, this Court issued its decision in *Petrella*, holding that the equitable defense of laches cannot preclude an award of damages for copyright infringement that occurs during the Copyright Act's

three-year limitations period, 17 U.S.C. § 507(b). 134 S. Ct. at 1967–68. In particular, *Petrella* held: "To the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period, courts are not at liberty to jettison Congress' judgment on the timeliness of suit." *Id.* SCA filed a letter of supplemental authority in the court below as part of its pending appeal, explaining that the logic of *Petrella* applies equally to patent cases, and that *Petrella* compels reversal of *Aukerman*. J.A. 6a, Dkt. No. 51. Thereafter, the panel entered its judgment reversing the district court on equitable estoppel, but affirming on laches. Pet. App. 68a.

On the issue of equitable estoppel, the panel found, *inter alia*, a genuine issue of material fact as to whether First Quality had suffered economic prejudice in its claimed reliance on SCA's letter and the delay involved in seeking reexamination. Pet. App. 85a–91a. The panel considered it persuasive that "SCA almost immediately filed a request for ex parte reexamination of the '646 patent to address the issues raised by First Quality—an action that could reasonably be viewed as inconsistent with SCA's alleged acquiescence." Pet. App. 88a. Thus, "[a] reasonable juror could conclude that First Quality raised an issue SCA had overlooked and that SCA, rather than acquiescing, took immediate action." *Id.*

On the issue of laches, however, the panel affirmed the district court's grant of summary judgment in First Quality's favor. In reaching its decision, the panel declined to address the viability of *Aukerman* following this Court's decision in *Petrella*, stating that

only the Supreme Court or the Federal Circuit sitting en banc could do so. Pet. App. 76a. The panel then ruled that, because the first act of infringement had occurred more than six years before SCA commenced its suit, the *Aukerman* presumptions of unreasonable delay and prejudice applied, and so laches barred all pre-suit damages even for new infringements within the six year period before suit. Pet. App. 76a–77a. In other words, the court barred SCA's claims for infringement both during the reexamination as well as those that accrued between the issuance of the reexamination certificate (which had newly issued claims) and commencement of the suit. The panel remanded for trial on the prejudice element of estoppel, but precluded trial on the prejudice element of laches. Pet. App. 91a.

5. *The En Banc Proceedings.* SCA petitioned for rehearing en banc. J.A. 7a, Dkt. No. 55. In particular, SCA asked the court to bar the use of laches as a defense to pre-suit damages, or, in the alternative, revoke the *Aukerman* laches presumptions. *Id.* Numerous other inventors and patent holders filed amicus briefs in support of SCA.

The court below granted SCA's petition for rehearing en banc, vacating the panel's decision. J.A. 9a, Dkt. No. 76. Although the court declined to revisit the laches presumptions, it agreed to consider whether it should overrule *Aukerman* in light of *Petrella* and whether laches can bar patent infringement suits for damages or injunctive relief. Pet. App. 7a. Ultimately, the court divided 6-5 in reaffirming the vitality of laches as a defense to pre-suit patent damage claims. Pet. App. 45a. In contrast

to its closely divided decision on laches, however, all participating members of the court joined in reversing the grant of summary judgment on the issue of equitable estoppel. Pet. App. 44a.

a. In rendering its decision, the en banc majority conceded that there is "no substantive distinction material to the *Petrella* analysis between § 286 and the copyright statute of limitations considered in *Petrella*." Pet. App. 18a. Nevertheless, the court retained its special laches rule in patent cases, albeit with a new rationale.

In particular, the decision below jettisoned most of the reasoning of *Aukerman*, which had rested in large part on the theory that the merger of law and equity in the 1930s had brought the doctrine of laches over into actions at law. *Aukerman*, 960 F.2d at 1031–32. This Court had explicitly rejected that theory in *Petrella*. 134 S. Ct. at 1973–74. Instead, and looking past the express timeliness provision of section 286, the decision below focused on section 282. The majority interpreted that provision as evidencing Congress's intent to permit judges to abridge the Patent Act's statutory limitations period on equitable grounds. Pet. App. 18a–35a. Section 282 generally lists the defenses available in patent infringement actions, but does not mention laches and does not otherwise prescribe any limitations period, a subject that is covered specifically by section 286.

The cornerstone of the majority's analysis of section 282 was a brief statement in a commentary prepared by PTO official P.J. Federico two years after the passage of the provision. Pet. App. 20a–23a (citing P.J. Federico, *Commentary on the New Patent Act*, 35

U.S.C.A. 1 (West 1954), *reprinted in* 75 J. PAT. & TRADEMARK OFF. SOC'Y 161, 217 (1993) (hereinafter "Federico Commentary")). The majority also focused on several pre-Patent Act lower court decisions that had purportedly applied laches to bar claims for legal damages, arguing that congressional silence in the face of these decisions justified expanding the use of laches to truncate claims for legal relief. Pet. App. 29a–35a.

b. Judge Hughes dissented in part, joined by Judges Moore, Wallach, Taranto, and Chen. Beginning with an analysis of *Petrella*, Judge Hughes noted that this Court has "never approved the use of laches to bar a claim for legal damages brought within a statutory limitations period." Pet. App. 45a. Further, "[l]ike the statute of limitations considered in *Petrella*, the statutory limitations period in § 286 of the Patent Act expresses Congress' judgment on the timeliness of claims for damages." Pet. App. 47a. Agreeing with the majority that, "with respect to claims for damages and the conflict with laches, there is no functional difference between § 286 and a statute of limitations," Judge Hughes concluded that "[t]he Supreme Court's decision in *Petrella*, therefore, strongly suggests that laches is not available to further regulate the timeliness of damages claims in patent-infringement cases." Pet. App. 48a.

Judge Hughes also noted that "[t]he Supreme Court has repeatedly cautioned [the Federal Circuit] not to create special rules for patent cases." Pet. App. 46a; *see also* Pet. App. 48a–49a. Accordingly, he proceeded to examine carefully the Patent Act and its legislative history, demanding, but not finding,

"compelling evidence" for a unique patent-law rule for laches. Pet. App. 48a–49a.

In this regard, Judge Hughes noted two key flaws in the majority's analysis: (1) "the majority interprets 35 U.S.C. § 282 in isolation, without regard to Congress' intent expressed in § 286" and (2) "in addition to misreading the pre-1952 cases it cites, the majority limits the scope of its review to favorable patent cases . . . ignor[ing] Supreme Court precedent and other federal court decisions holding that laches does not bar claims for legal relief filed within a statutory limitations period." Pet. App. 49a. He then found that, when "[p]roperly analyzed, we cannot reasonably infer from the Patent Act that Congress intended to depart from this common-law principle." *Id.*

SUMMARY OF ARGUMENT

I. Section 286 states in clear terms that the timeliness of patent-infringement damage claims is governed by a six-year limitations period. Nowhere does it authorize the use of the equitable doctrine of laches to shorten that period. Because the plain meaning of what Congress actually enacted directs a six-year limitations period, the court below was not at liberty to use laches to apply a shorter limitations standard. When Congress wanted to authorize resort to "the principles of equity" in the administration of patent litigation, it did so expressly, in section 283 (governing injunctive relief), but chose not to do so in section 286. That choice is presumptively meaningful and should have been followed in this case.

In addition to conflicting with section 286's express six-year rule, the use of laches also conflicts with the

separate-accrual rule. Consistent with historic practice, the statutory text treats each patent infringement as a discrete wrong with its own distinct limitations accrual. In contrast, the Federal Circuit's unique laches doctrine improperly lumps claims together, presuming all pre-suit damages from separate infringements are barred if any act of infringement occurred more than six years prior to suit.

This case is also indistinguishable from this Court's recent decision in *Petrella*. There, the Court held that laches may not be used to constrict the statutory limitations period for bringing legal claims under the Copyright Act. 134 S. Ct. at 1967, 1974. As the decision below concedes, there is no principled difference between the limitations provision in the Copyright Act and section 286. Pet. App. 18a. Thus, the same analysis should apply in both settings. As this Court emphasized in *Petrella*, both before and after the merger of law and equity in 1938, laches has never been available to curtail legal relief sought within a congressionally prescribed limitations period. 134 S. Ct. at 1973–74. Laches developed as a means to limit equitable relief, not legal rights. *Id.* Moreover, the merger of law and equity did not change preexisting substantive rights or remedies, nor import the traditional equitable defense of laches into law. *Id.* at 1974. Equity still follows the law; it does not trump it. Even as to equitable relief, *Petrella* held, laches is rarely a threshold bar; it almost always is merely one factor among others to be considered in fashioning relief at the remedial stage. *Id.* at 1967, 1978.

II. The decision below further errs in holding that a different provision of the Patent Act—section 282—implicitly carves out an exception to section 286's six-year time period. Section 282 speaks in general terms and never mentions laches. Moreover, although section 282 speaks generally of defenses available in patent infringement suits, section 286 speaks specifically to the issue of timeliness, and here the specific provision prevails.

In support of its decision, the court below claimed to rely on settled historical practice that predates the Patent Act. Pet. App. 29a–34a. But there was never truly a settled pre-Patent Act background rule allowing laches to cut short patent-infringement damages claims. Rather, the relevant background rule is the long line of this Court's precedents holding that laches cannot be used to cut short congressional statutory limitations periods for actions at law. The few lower court cases on point were mixed, hardly establishing a fixed rule. Likewise, those that appear to approve the use of laches in patent suits do so ambiguously and in conflict with both this Court's pronouncements on the issue and traditional principles of the common law. Further, the post-enactment commentary by one PTO official, on which the decision below relied heavily, Pet. App. 20a–22a, does not even address the precise question at issue here, and, in any event, cannot be used to alter what Congress actually enacted.

III. By importing laches into the administration of suits involving legal claims, the decision below undermines the Patent Act's purposes and policies. In enacting the predecessor to section 286, Congress

replaced the patchwork of state-law time limits with a six-year period in order to make federal law clear, predictable, and uniform across the country. The six-year period further promotes out-of-court dispute resolution, giving the parties time to approach the PTO, arbitrate, mediate, or settle instead of charging into court. But by making timeliness unclear and unpredictable, the decision below forces patent holders to "sue soon, or forever hold [their] peace." *Petrella*, 134 S. Ct. at 1976. The American Bar Association's Section on Intellectual Property Law has criticized the decision below on just those grounds. Reply App. 9a–10a. Moreover, laches is not needed to prevent unfair surprise, as the Patent Act's marking rules largely limit damages to those infringers who were on notice. 35 U.S.C. § 287

IV Even if laches could somehow apply at law and constrict a statutory limitations period, there is no warrant for presuming it, as the decision below did. This Court rejected a similar presumption in *Petrella*, because presuming laches based on prior infringement undercuts Congress's choice to make each infringement separately actionable. 134 S. Ct. at 1972. The decision of the court below should be reversed.

ARGUMENT

I. The Text of Section 286 and This Court's Analysis in *Petrella* Foreclose the Use of Laches to Abridge the Patent Act's Statute of Limitations.

As with any statute, analysis of the Patent Act begins with the text of the statute itself. *Sebelius v. Cloer*, 133 S. Ct. 1886, 1893 (2013). In examining the

language of section 286, and absent any specific definitions supplied by Congress, its "words will be interpreted as taking their ordinary, contemporary common meaning." *Bilski v. Kappos*, 561 U.S. 593, 603 (2010) (internal quotation marks omitted). Moreover, when construing the Patent Act, courts "should not read into the patent laws limitations and conditions which the Legislature has not expressed." *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 199 (1933), *decision amended by United States v. Dubilier Condenser Corp.*, 289 U.S. 706 (1933).

If the words of the relevant statutory provision are plain, that is where the analysis should end. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1755 (2014); *see also Estate of Cowart v. Nicklos Drilling Co.*, 505 U.S. 469, 475 (1992). Only in "rare cases" in which "the literal application of a statute will produce a result demonstrably at odds with the intention of its drafters," or where the result is absurd, may a court decline to apply a statute's plain meaning. *Griffin v. Oceanic Contractors, Inc.*, 458 U.S. 564, 571, 575 (1982); *see also Green v. Bock Laundry Mach. Co.*, 490 U.S. 504, 510 (1989).

Here, the text of the Patent Act in general, and section 286 in particular, is exceptionally clear: it specifies a six-year limitations period for infringement damage claims and does not authorize shortening that period based on laches. Accordingly. the lower courts erred in using laches to cut off SCA's legal rights, as illustrated by the Court's recent decision in *Petrella*. There, the Court rejected the indistinguishable claim that laches could be used to shorten the three-year limitations period under the Copyright Act. 134 S. Ct.

at 1974. Sensitive to laches' traditional role as limiting only equitable forms of relief, this Court rejected that claim. The same analysis applies in this case.

A. Section 286 Prescribes a Six-Year Time Limit for Bringing Suit.

1. *The Text of Section 286 Creates a Bright-Line Six-Year Rule.* The text of section 286 is clear on its face. It provides in relevant part:

> Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.

35 U.S.C. § 286.

The text of section 286 answers the question presented: the statute simply does not authorize using laches to shorten the statutorily prescribed limitations period. There is nothing ambiguous about section 286: a patent holder must bring suit within six years of an infringement in order to collect pre-complaint damages based on that infringement. Moreover, nothing in the statutory scheme authorizes shortening the six-year period based on laches.

To begin with, section 286 is plainly a statute of limitations. When Congress passed the original predecessor to section 286 in 1897, it explicitly called it a "statute of limitations." H.R. REP. NO. 54-940, at 2 (1896); 29 Cong. Rec. 901 (1897). Similarly, the House and Senate Reports accompanying the 1952 Patent Act expressly refer to section 286 as a "statute

of limitations." H.R. REP. NO. 82-1923, at 10 (1952); S. REP. NO. 82-1979, at 8–9 (1952); *see also* CHARLES J. ZINN, COMMENTARY ON NEW TITLE 35 U.S. CODE "PATENTS," 2 U.S.C.C.A.N. 2507, 2523 (1952) ("the statute of limitation on damages"). Tellingly, all of the judges below agreed that section 286 is a statute of limitations.

Moreover, section 286 is plainly *the* statute of limitations provision applicable to infringement damage claims. No other provision covers the same subject matter. There is no sound basis for concluding that some other, shorter limitations period should apply based on an equitable laches defense that the statute does not state or authorize.

In contrast, another provision of the Patent Act, section 283 governing the issuance of injunctions, does specifically direct the use of "the principles of equity" in fashioning remedies. 35 U.S.C. § 283. This provision illustrates that, in crafting the Patent Act, Congress knew how to authorize resort to equitable doctrines when it wanted to. As this Court has explained, "[w]here Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion." *Russello v. United States*, 464 U.S. 16, 23 (1983) (internal quotation marks omitted). Because section 286 makes no such reference, courts may not resort to the equitable defense of laches to shorten the six-year period prescribed by Congress.

The loose textual analysis of the decision below contrasts with Congress's precision in drafting section

286. The six-year period is a hard deadline and cannot be extended or constricted "[e]xcept as otherwise provided by law." 35 U.S.C. § 286. The Patent Act and other governing federal law recognize two instances in which the six-year period may be extended, both involving actions against the government. First, the second paragraph of section 286 tolls the limitations period for up to six years to allow for government review of an infringement claim prior to suit. Second, if the government suppresses issuance of a patent on grounds of national security, an infringement claim can be delayed until the government lifts the secrecy ban, which may be well after the six-year bar would otherwise have run. 35 U.S.C. § 183. As these examples illustrate, the six-year limit can be modified in these particular circumstances as "provided by law." But there is no similar grant of power to extend—much less shorten—the limitations period based on the equitable doctrine of laches. This, of course, makes perfect sense. As noted, the *only* stated caveat to section 286 is the phrase "[e]xcept as otherwise provided by law," and no provision of law has ever taken the drastic and utterly unconventional step of authorizing the use of laches to limit legal damages claims.

2. *Construing Section 286 in Accordance with Its Plain Meaning Is Neither Absurd nor Demonstrably at Odds with Congress's Intentions.* "Given the clarity of the statutory text," First Quality "bears an 'exceptionally heavy' burden" of proving that something other than the statutory six-year limitations period applies here. *Patterson v. Shumate*, 504 U.S. 753, 760 (1992) (quoting *Union*

Bank v. Wolas, 502 U.S. 151, 155–56 (1991)). First Quality cannot shoulder this burden. Treating the provision as a uniform, bright-line, six-year rule is neither demonstrably at odds with Congress's intent nor absurd. Indeed, such a construction is the only one consistent with the well-established rule that laches cannot be used to shorten a statute of limitations provision applicable to legal damage claims. *Petrella*, 134 S. Ct. at 1973–75 (discussing *Holmberg v. Armbrecht*, 327 U.S. 392 (1946)).

B. The Decision Below Otherwise Conflicts with the Text of Section 286 and the Separate-Accrual Rule.

1. *The Text Treats Each Infringement as a Discrete Wrong.* Just like the Copyright Act's separate-accrual provision, section 286 presupposes that multiple infringements can give rise to multiple claims for relief. To begin with, section 286 expressly speaks of "any infringement," clearly contemplating the possibility of more than one. More broadly, by providing that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint," the section fairly contemplates that recovery *is* permissible for infringements occurring less than six years prior to the commencement of suit.

In addition, the section speaks of "the action," fairly contemplating a single action encompassing all infringement claims. Yet in applying its laches rule, the court below concluded that, if a *different* infringement has occurred more than six years prior to suit, *all* pre-suit damages claims based on *all* pre-suit infringements are presumptively barred. In other

words, the court below treated the statute as though it had been worded as follows: "no recovery shall be had for any infringement **if any other infringement was** committed more than six years prior to the filing of the complaint " (added language in bold and underlined). But there is no justification for adding such a limitation to the text and effectively treating all pre-suit infringements as one.

2. *The Decision Below Conflicts with the Separate-Accrual Rule That Section 286 Embodies.* As a rule, a federal cause of action does not accrue until the plaintiff "has a complete and present cause of action." *Wallace v. Kato*, 549 U.S. 384, 388 (2007) (quoting *Bay Area Laundry & Dry Cleaning Pension Trust Fund v. Ferbar Corp., Inc.*, 522 U.S. 192, 201 (1997)) (internal quotation marks omitted). Under this principle, a statute of limitations does not begin to run until "the plaintiff can file suit and obtain relief." *Wallace*, 549 U.S. at 388 (quoting *Bay Area Laundry*, 522 U.S. at 201). Critically, where a defendant commits successive violations, the limitations period typically runs separately from the date of each violation—a principle known as the separate-accrual rule. *Petrella*, 134 S. Ct. at 1969; *see also Bay Area Laundry*, 522 U.S. at 206. Under this rule, "a freestanding violation may always be charged within its own charging period regardless of its connection to other violations." *Ledbetter v. Goodyear Tire & Rubber Co., Inc.*, 550 U.S. 618, 636 (2007), *superseded on other grounds by statute*, Lilly Ledbetter Fair Pay Act of 2009, Pub. L. 111-2, 123 Stat. 5; *accord Nat'l R.R. Passenger Corp. v. Morgan*, 536 U.S. 101, 113 (2002) ("The existence of past acts and the [plaintiff's] prior knowledge of their

occurrence does not bar [plaintiffs] from filing charges about related discrete acts so long as the acts themselves are independently [unlawful] and charges addressing those acts are themselves timely filed."), *superseded on other grounds by statute*, Lilly Ledbetter Fair Pay Act of 2009, Pub. L. 111-2, 123 Stat. 5.

The separate-accrual rule has been the "standard rule" of federal law for more than a century and a half. *Gabelli v. SEC*, 133 S. Ct. 1216, 1220–21 (2013) (internal quotation marks omitted). This Court in particular "ha[s] repeatedly recognized that Congress legislates against the standard rule that the limitations period commences when the plaintiff has a complete and present cause of action." *Graham Cnty. Soil & Water Conservation Dist. v. United States ex rel. Wilson*, 545 U.S. 409, 418 (2005) (internal quotation marks omitted), *superseded on other grounds by statute*, 31 U.S.C. § 3730(h)(3) (2010). "Congress has been operating against [this rule] for a very long time." *TRW Inc. v. Andrews*, 534 U.S. 19, 38 (2001) (Scalia, J., concurring in the judgment).

Patent law is no exception. As this Court explained in the copyright context, "when a defendant commits successive violations, the statute of limitations runs separately from each violation." *Petrella*, 134 S. Ct. at 1969. And as all the judges below agreed, there is no material distinction between the copyright limitations provision and section 286. Pet. App. 18a, 48a.

Here, as in *Petrella*, the statute of limitations "makes the starting trigger an infringing act

committed [several] years back from the commencement of suit, while laches, as conceived by the [lower courts] and advanced by [respondents], makes the presumptive trigger the defendant's *initial* infringing act." 134 S. Ct. at 1975 (emphasis in original). For this reason, lumping separate patent infringements together for limitations purposes is at war with the statutory text, the separate-accrual rule, and the reasoning of *Petrella*. Nothing in the reasoning of the decision below, the governing statutory text, its legislative history, or applicable legal principles justifies such a departure.

C. As *Petrella* Made Clear, the Equitable Doctrine of Laches May Not Constrict a Statutory Limitations Period Applicable to Legal Claims.

1. *The Use of Laches Here Conflicts with Petrella and This Court's Other Precedents.* In *Petrella*, the Court analyzed at length the history of the laches doctrine. Laches, it noted, was developed by courts of equity, and "its principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Petrella*, 134 S. Ct. at 1973 (citing 1 D. DOBBS, LAW OF REMEDIES § 2.4(4), at 104 (2d ed. 1993)). In other words, laches traditionally was no defense to a claim for legal relief. *Cross v. Allen*, 141 U.S. 528, 537 (1891); *Wehrman*, 155 U.S. at 326–27

These principles have been applied consistently to claims brought both before and after the merger of law and equity in 1938. In 1935, this Court held that "[l]aches within the term of the statute of limitations is no defense at law." *United States v. Mack*, 295 U.S. 480, 489 (1935), *quoted with approval in Merck & Co.*,

Inc. v. Reynolds, 559 U.S. 633, 652 (2010). In 1946, the Court likewise "cautioned against invoking laches to bar legal relief." *Petrella*, 134 S. Ct. at 1973 (describing *Holmberg*, 327 U.S. at 395–96). Almost forty years after *Holmberg*, the Court noted "that application of the equitable defense of laches in an action at law would be novel indeed." *Cnty. of Oneida v. Oneida Indian Nation*, 470 U.S. 226, 244 n.16 (1985).

Petrella is the latest in a long line of this Court's decisions holding that Congress, not the judiciary, is the proper arbiter of timeliness in actions at law: "[t]o the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period courts are not at liberty to jettison Congress' judgment on the timelinesss of suit." *Petrella*, 134 S. Ct. at 1967. Because Congress has exercised its judgment here in clear terms, and has not expressly authorized the use of laches to shorten the time limit it has prescribed, laches may not be used to truncate section 286's six-year period for bringing suit.

2. *The Use of Laches Here Unavoidably Conflicts with Congress's Choice.* When Congress legislates in an area, courts are not free to substitute their own judgment, including by adding limitations Congress has not seen fit to prescribe. *See 14 Penn Plaza LLC v. Pyett*, 556 U.S. 247, 270 (2009); *Mobil Oil Corp. v. Higginbotham*, 436 U.S. 618, 626 (1978), *overruled on other grounds by Miles v. Apex Marine Corp.*, 498 U.S. 19, 32–33 (1990). The purpose of section 286 was to create uniformity: "The statutes giving patent rights being national, the limitation of recovery should also be limited by national laws and be uniform

throughout the country." 29 Cong. Rec. 902 (1897) (statement of Rep. Mitchell). Because Congress weighed the relevant values in establishing its six-year rule, there is no warrant for courts to weigh matters differently in order to constrict that limitations period.

In *Petrella*, the Court concluded that there was "no case in which the Court has approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." *Petrella*, 134 S. Ct. at 1974. That is because there is a fundamental conflict between laches—which is a creature of discretion and equity—and a statute of limitations, the signature purpose of which is to provide certainty. Superimposing the discretionary standard of laches upon the statutory timeliness rule clouds the very certainty and clarity that rules are designed to promote. Such an unusual step would have to come from Congress, not the courts. Rejecting the argument that there was something unique about copyright law that justified combining the two doctrines, this Court held in *Petrella*: "There is nothing at all 'differen[t]' about copyright cases in this regard." *Id.* (citation omitted). The same analysis applies here.

3. *Nothing in the Merger of Law and Equity Permits the Use of Laches To Truncate a Statutory Limitations Period; Equity Still Follows the Law.* Before the merger of law and equity in 1938, legal and equitable remedies typically had to be pursued in separate actions, each with its own rules and procedures. The merger of law and equity changed that by permitting legal and equitable claims to be

litigated together. It did not, however, expand the role of equity as a means to limit legal claims. As was well established long before 1938, equity follows the law. This principle still holds true today.

Petrella demonstrates that, in *Aukerman*, the predecessor to the decision below, the Federal Circuit misperceived the relevant history. *Aukerman* theorized that the common law itself changed in the early part of the twentieth century with the merger of legal and equitable proceedings. In particular, the court conflated procedural and substantive consolidation, concluding that the merger authorized the use of the equitable doctrine of laches to limit legal relief, first under § 274b of the Judicial Code, Act of Mar. 3, 1915, ch. 90, § 274b, 38 Stat. 956 (codified at 28 U.S.C. § 398) (repealed 1938), and later under Rules 2 and 8 of the Federal Rules of Civil Procedure. *Aukerman*, 960 F.2d at 1031. This was a crucial error.

The *Aukerman* court did not properly take account of this Court's contrary precedent. In 1935, this Court ruled that section 274b was purely procedural in nature and did not change any substantive legal principles. *Enelow v. N.Y. Life Ins. Co.*, 293 U.S. 379, 382–83 (1935), *overruled on other grounds by Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271, 282–83 (1988). The creation of the Federal Rules also provides no support for expanding the role of laches. As stated in *Petrella*: "True, there has been, since 1938, only 'one form of action—the civil action.' Fed. Rule Civ. Proc. 2. But 'the substantive and remedial principles [applicable] prior to the advent of the federal rules [have] not changed.'" 134 S. Ct. at 1974 (quoting 4 C. WRIGHT & A. MILLER, FEDERAL

PRACTICE AND PROCEDURE § 1043, at 177 (3d ed. 2002)).

In light of *Petrella*, the Federal Circuit has now in the decision below abandoned its earlier view—central to its decision in *Aukerman*—that the merger of law and equity worked a substantive change to the use of laches. But a bare majority of that court was unwilling to abandon the laches doctrine that rested on that essential premise. Its conclusion stands at war with both the governing statutory scheme and this Court's precedents.

4. *Even as to Equitable Relief, Laches Is Rarely a Threshold Bar and Must Almost Always Be Considered Among Other Factors in Fashioning an Appropriate Equitable Remedy.* Although laches has not historically been used to limit legal claims, it has been used traditionally in fashioning equitable remedies. But as this Court noted in *Petrella*, even there, laches is rarely a threshold bar. 134 S. Ct. at 1967. Rather, application of laches as a threshold bar to equitable relief is available only in "extraordinary circumstances." *Id.* Usually, consideration of delay is remitted to "the remedial stage, in determining appropriate injunctive relief, and in assessing" the infringer's profits. *Id.* at 1967; *see also id.* at 1978–79. This is consistent with the Patent Act's provision for an injunction, which courts may issue "in accordance with the principles of equity on such terms as the court deems reasonable." 35 U.S.C. § 283.

The statutory incorporation of "principles of equity" in section 283 requires courts to consider all of the equities in considering injunctions, including a

defendant's own improper conduct, before determining whether and how to award equitable relief. Yet rather than treating laches as exceptional even as to equitable relief, the decision below erred in extending it to apply routinely to both legal and equitable relief.

II. Section 282 Does Not Authorize Courts to Truncate Section 286's Six-Year Time Period.

With no support in the statutory text, common law, or the legislative history, the court below should have abandoned its practice of using laches to truncate the six-year limitations period prescribed in section 286. But instead of following *Petrella*, the court relied on a misguided contextual evaluation of another provision (section 282 of the Patent Act), a misreading of the legislative history, a few lower court decisions, and some ambiguous post-enactment commentary. None of these, however, justifies the court's departure from sound interpretative principles or this Court's precedents.

A. No Other Provision of the Patent Act Purports to Authorize Courts to Truncate Section 286's Six-Year Limitations Period.

Not one word of the Patent Act, including section 282, so much as hints that Congress intended to upset the balance it struck in 1897 when it enacted a six-year limitations period, let alone that Congress intended to create a unique hybrid statute of limitations/laches test. Nevertheless, the Federal Circuit refused to give primacy to the language of the actual limitations provision. Instead, it inferred from section 282 an implicit delegation of judicial power to curtail section 286's six-year limitations period.

Section 282, however, makes no mention of laches and delegates no power to abridge section 286 based on the doctrine. In conducting its analysis, the court below painted section 282 with a very broad brush, but remarkably did not identify exactly where in the text section 282 confers such authority. This is a very odd form of statutory construction, depending on no specific language or reference in the words of the Act.

In addition, the legislative history behind section 282 provides no support for such an expansive use of laches. As the court below observed, there is very little discussion in the House and Senate Reports discussing section 282(b). Pet. App. 19a. The court below relied on one sentence each from the House and Senate Reports, but its reliance was entirely misplaced. Pet. App. 19a–20a. The Senate Report merely states: "The five defenses named in R.S. 4920 are omitted and replaced by a broader paragraph specifying the defenses in general terms." S. REP. NO. 82-1979, at 29 (1952). The prior law that section 282 replaced, 35 U.S.C. § 69 (1946) (previously R.S. § 4920), had listed five defenses relating to (1) deceptive filing of patent specifications, (2) surreptitiously obtaining a patent invented by another, (3) prior invention as shown by patents and printed publications, (4) the inventor's not being the first inventor, and (5) prior public use or sale of the invention. There is simply no reference to laches in any of the five subsections of the prior law, and thus no basis for concluding that Congress wished to preserve laches as a holdover from the prior law.

Similarly, the House Report states:

> Section 282 introduces a declaration of the presumption of validity of a patent, which is now a statement made by courts in decisions, but has had no expression in the statute. The defenses to a suit for infringement are stated in general terms, changing the language of the present statute, but not materially changing the substance.

H.R. REP. NO. 82-1923, at 10 (1952). The House Report distinguishes between section 282(a), which created a new statutory provision confirming longstanding judicial precedent, and section 282(b), which was drafted to "not materially chang[e] the substance" of "the present statute." Once again, there was no indication that Congress intended to incorporate wholesale into section 282 whatever lower court decisions were on the books, let alone an aberrant laches doctrine. In any event, a laches defense against claims for legal damages was not part of the prior statute, was not a legitimate background principle of the common law established by longstanding judicial precedent, and was never intended to be part of the present statutory provision.

In addition, the decision below improperly elevated the general terms of section 282 over the specific terms of section 286. That, of course, violates the commonsense rule of construction that the general terms of one provision in an Act do not typically override the specific terms of another section in the same Act geared specifically to the relevant circumstance. *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 228 (1957) ("However inclusive

may be the general language of a statute, it will not be held to apply to a matter specifically dealt with in another part of the same enactment.") (internal quotation marks omitted), *superseded by statute*, 28 U.S.C. § 1391(c) (1988). Applying that principle here, the defenses in section 282, written in general terms, should not be construed to trump the specific limitations period that Congress expressly wrote into section 286. Yet, turning this rule on its head, the Federal Circuit applied the opposite of this sensible presumption. It erroneously found that because "the legislative history characterizes § 282 as 'broader' and 'general' . ," section 282 could trump the more specific section 286. Pet. App. 22a.

Had Congress intended to include laches as a general defense, it certainly knew how to do so. As noted above, section 283 explicitly states that injunctive relief may be granted based on the principles of equity. And the Lanham Act, which has no statute of limitations, explicitly states that, in suits for trademark infringement, "equitable principles, including *laches*, estoppel, and acquiescence, are applicable." 15 U.S.C. § 1115(b)(9) (emphasis added); *see also Petrella*, 134 S. Ct. at 1974 n.15 (noting "the Lanham Act contains no statute of limitations, and expressly provides for defensive use of equitable principles, including laches") (internal quotation marks omitted). In contrast, the Patent Act contains no similar authorization. Because Congress knows how to incorporate a laches defense when it wants to, but chose not to do so in enacting either section 282 or section 286, it should be presumed that Congress acted intentionally in not including a laches defense here. *Russello*, 464 U.S. at 23.

Moreover, even if section 282 did encompass a laches defense, the statutory language provides no support for the further proposition that Congress authorized the application of this defense to *legal* claims. As explained above and elaborated further below, laches has traditionally been applied as a defense to equitable claims. If Congress had intended to depart from this tradition, it would have said so expressly.

B. The Controlling Precedent Is This Court's Long History of Laches Cases Culminating in *Petrella*, Not Any Lower Court Decisions.

Rather than analyze this Court's precedents on laches, the court below instead relied on a handful of ambiguous lower court decisions that had allegedly applied laches to limit legal claims. Taking this a step further, the court below apparently presumed that, because Congress did not expressly disapprove these decisions, it must have intended to incorporate them into the fabric of section 286. This approach not only conflicts with the text of section 286, but also suffers from three key errors. First, the cited lower court decisions do not demonstrate a practice suitable for a presumption of congressional acquiescence. Second, the cited decisions do not reflect the actual historic practice. Third, the court below misconstrued the decisions it cited.

1. *Congress Has Not Presumptively Endorsed the Federal Circuit's Laches Doctrine.* Because the practice of the Federal Circuit is contrary to this Court's precedents on the use of laches and likewise conflicts with the express terms of section 286, it is simply not the kind of rule that Congress may be

thought to have acquiesced in. In the past, this Court has cautioned against interpretations that read into statutory provisions implied limitations premised on congressional silence. *Jama v. Immigration & Customs Enforcement*, 543 U.S. 335, 341 (2005) ("We do not lightly assume that Congress has omitted from its adopted text requirements that it nonetheless intends to apply. . ."); *United States v. Wells*, 519 U.S. 482, 496 (1997) ("[W]e have frequently cautioned that it is at best treacherous to find in congressional silence alone the adoption of a controlling rule of law.") (citation and internal quotation marks omitted). And because *Petrella* represents the logical application of longstanding principles and precedents, it would be anomalous indeed to decline to apply its reasoning in the patent context simply because the Federal Circuit's practice has existed for a number of years or is arguably reflected in a handful of older lower court decisions. This Court has never approved the practice and has previously overruled several longstanding patent precedents that strayed from traditional approaches to statutory construction and established legal principles. *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 136–37 (2007) (reversing Federal Circuit's standard for declaratory judgment jurisdiction, applied since 1984); *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 415 (2007) (reversing Federal Circuit's rigid application of a teaching, suggestion, and motivation test for obviousness established by the Court of Customs and Patent Appeals in 1961 and applied since the Federal Circuit's inception in 1982); *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 393–94 (2006) (sweeping away the Federal Circuit's presumption in

favor of injunctions in patent cases, without regard to the traditional four-factor test, applied since 1984).

Further, a presumption of congressional acquiescence is not appropriate where, as here, the practice is not widespread among many lower courts, but constitutes a controversial practice of the bare majority of a single lower court that this Court has not yet had occasion to review. *Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 10 (2000) (lower court decisions were not "sufficiently widespread and well recognized to justify the conclusion of implicit adoption by the [Bankruptcy] Code"); *Jones v. Liberty Glass Co.*, 332 U.S. 524, 534 (1947) ("We do not expect Congress to make an affirmative move every time a lower court indulges in an erroneous interpretation."). Concluding otherwise would unduly impair this Court's ability to correct errors and burden its discretion in selecting cases for review.

2. *The Federal Circuit's Laches Doctrine Was Not a Well-Established Doctrine of the Common Law.* The decision below cites the canon of construction that "[w]hen a statute covers an issue previously governed by the common law, we must presume that Congress intended to retain the substance of the common law." Pet. App. 24a (quoting *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013) (internal quotation marks omitted)). But that canon applies only when the common-law principle is "well established." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991). The actual, well-established rule is that laches cannot bar claims for legal relief, a rule repeatedly reaffirmed by this Court.

Petrella, 134 S. Ct. at 1973–74; *Holmberg*, 327 U.S. at 395; *Mack*, 295 U.S. at 489; *Wehrman*, 155 U.S. at 326–27; *Cross*, 141 U.S. at 537 The only possible exception might be where Congress has not enacted a limitations period at all. But that is not the situation here.

In reviewing the relevant history, the Federal Circuit erred in failing to distinguish between the patent holder's right to collect damages and *its right to collect damages in a court of equity*. As this Court held in *Petrella*, the important question in evaluating the reach of laches is whether the particular remedy at issue sounds in law or equity, not whether the remedy also happened to be available in a court of equity at some point. 134 S. Ct. at 1967 n.1 (analyzing whether specific copyright remedies are legal or equitable in origin). Thus, the relevant question is whether laches could bar the *remedy* of legal damages in its entirety. precluding recovery by the plaintiff in any forum, not whether the equity courts could have offered the relief.

Historically, laches could never bar a claim at law for legal damages. *Wehrman*, 155 U.S. at 326. As an equitable defense, it could not be pled in an answer to such a claim. Equitable defenses were asserted by filing a separate bill on the equity side of the court seeking an injunction to restrain the law court from proceeding. *Liberty Oil Co. v. Condon Nat'l Bank*, 260 U.S. 235, 243 (1922) ("If a defendant at law had an equitable defense, he resorted to a bill in equity to enjoin the suit at law if the prayer of the bill was granted, the injunction against the suit at law was made perpetual, and no jury trial ensued."). This was

not a matter peculiar to patent law, but a fundamental aspect of the procedural landscape. In addition, there were further distinctions to be made. The equity courts would not issue an injunction against further legal proceedings merely on account of laches, but only upon proof of the more stringent requirements for estoppel. *Wehrman*, 155 U.S. at 326. So laches was irrelevant to whether a plaintiff had a right to pursue legal damages in an action at law.[2]

When law and equity merged, the courts were able to do away with this cumbersome dual-tracked process. The procedure certainly changed, but the substantive requirements necessary to bar legal relief did not. *Petrella*, 134 S. Ct. at 1973–74; *Enelow*, 293 U.S. at 382.

3. *The Federal Circuit's Laches Doctrine Is Not Well-Grounded in the Older Case Law.* The court below posited a different common-law rule for patent infringement damage claims, asserting that "the case law demonstrates that, by 1952, courts consistently applied laches to preclude recovery of legal damages."

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[2] If the plaintiff brought an action on the equity side of the court, and relief was refused due to laches, the plaintiff would be remitted to his remedies at law. *See Locke v. Lane & Bodley Co.*, 35 F. 289, 294 (S.D. Ohio 1888) ("But it is said that the complainant's suit must fail, and the complainant be remitted to whatever rights he may have at law, by reason of his laches in pursuing his equitable remedy, the estoppel by conduct constituting a waiver of his equitable rights."), *rev'd on other grounds*, 150 U.S. 193 (1893). Dismissal of the equitable action had no effect on the right to seek damages in an action law. The only way to bar the pursuit of legal damages was by obtaining an injunction.

Pet. App. 29a. But this misstates the real question. Whether "courts" applied laches to bar legal damages is of no moment if the courts were equity courts refusing to entertain a bill in equity, to which a claim for legal damages was appended. To sustain its position, the Federal Circuit had to demonstrate that *courts of law* consistently applied laches to bar recovery of legal damages, but this it could not do.

Bereft of support from this Court's precedents, the majority turned to vague lower court decisions. Pet. App. 29a–33a. But as the dissent explained below, "[n]early all of these decisions either apply laches under a misinterpretation of § 274(b) of the Judicial Code, mention laches in dicta, or apply laches to bar a claim brought in equity." Pet. App. 59a.

Critically, the court below could point to only two patent cases that explicitly addressed the issue: *Ford v. Huff*, 296 F. 652 (5th Cir. 1924) and *Banker v. Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934). Pet. App. 30a–32a. But neither of these is persuasive. *Ford* was not a laches case at all, and *Banker* was overruled by this Court.

Ford neither reflects the common law nor supports the majority's position. The patent holder-plaintiff in *Ford* accepted payments from the defendant and thereby conveyed an intent to discharge his claim. 296 F. at 657–58. As a result, the Fifth Circuit concluded that the plaintiff was estopped from pursuing the claim. *Id.* at 658. Although the Fifth Circuit included the word "laches" in its decision, as the dissent noted below. the real work was done through estoppel. Pet. App. 60a–61a.

Moreover, *Ford* was decided against the background of the relatively new practice, authorized by section 274b, of pleading equitable defenses in legal cases. As discussed above, courts occasionally misinterpreted that statute to permit the application of equitable defenses to legal claims. Thus, *Ford* can be read as either an estoppel case (the better view) or a misapplication of section 274b. But it does not support the view that there was at that time a well-established practice of using laches to bar legal claims for patent infringement damages. *See* Pet. App. 60a–61a.

As the dissent observed, *Banker* "took *Ford* beyond its holding and applied laches in an action at law based on a misinterpretation of § 274(b)." Pet. App. 61a. The Third Circuit explicitly ruled in *Banker* in March 1934 that section 274b could be used to interpose the defense of laches against legal claims at law for damages. 69 F.2d at 666. A month later, the Third Circuit addressed the issue a second time in *Enelow*, citing *Banker* as precedent for its expansive interpretation of 274b. *Enelow v. N.Y. Life Ins. Co.*, 70 F.2d 728 (3d Cir. 1934), *rev'd*, 293 U.S. 379. This Court granted certiorari in *Enelow* and reversed, stating unequivocally that section 274b was merely procedural and did not change the substantive law. *Enelow*, 293 U.S. at 382–83. One or two swallows do not a summer make, especially where one was banished by this Court.

Moreover, several district court cases had addressed the precise issue and rejected the Federal Circuit's view. The District Court for the District of Massachusetts squarely faced the issue presented in

Banker and reached a contrary result, holding that section 274b did not change the common law rule in patent cases that laches cannot bar an action at law. *Thorpe v. Wm. Filene's Sons Co.*, 40 F.2d 269, 269 (D. Mass. 1930). The court in *Thorpe* correctly identified *Ford* as an estoppel case and anticipated this Court's interpretation of section 274b in *Enelow*. *Id.* at 270. *See also City of Concord v. Norton*, 16 F. 477, 480 (C.C.D. Mass. 1883). Indeed, even one of the appellate cases cited by the majority below recognized that laches could not be pled in an action at law to bar legal relief. *Middleton v. Wiley*, 195 F.2d 844, 847 (8th Cir. 1952).

In short, the pre-1952 patent cases provide extraordinarily little support for adopting a unique patent laches rule. The dissent below correctly charged the majority with ignoring this Court's precedents and creating special rules for patent cases. Pet. App. 46a, 49a–55a.

C. The Post-Enactment Commentary Cited Below Sheds No Light on Congress's Intent.

In conducting its analysis, the court below also relied heavily on a few words in the 1954 Federico Commentary, in which Mr. Federico stated ambiguously his view that the 1952 Patent Act was intended to encompass "equitable defenses such as laches, estoppel and unclean hands." Pet. App. 9a, 20a (quoting Federico Commentary at 215). But this question-begging commentary does little to clarify the issue, and much to obscure it.

1. *The Federico Commentary Says Nothing About Whether Laches Can Bar Damages at Law.* To begin with, it is not clear whether Mr. Federico in

offering his comment envisioned equitable defenses to equitable claims or to legal claims. As discussed, equitable defenses such as laches traditionally limited only equitable, not legal, relief.

2. *The Federico Commentary Is Not Legislative History.* Even if Mr. Federico intended to refer to equitable defenses including laches as barring legal remedies, this kind of commentary cannot trump the text of section 286, this Court's precedents, the traditional role of equitable defenses, or ordinary principles of interpretation.

Although it forms the cornerstone of the decision below, the Federico Commentary is nothing more than commentary. It certainly does not rise to the level of legislative history. Mr. Federico was not a legislator. By its own terms, the commentary consists simply of Mr. Federico's private "opinions and views," not those of Congress or even those of the PTO. Federico Commentary at 162–63.

3. *Post-Enactment Commentary Carries No Weight.* Even if Mr. Federico had been a legislator, his comments came two years after the fact in an article, not a contemporaneous congressional report. As this Court has remarked, "[p]ost-enactment legislative history (a contradiction in terms) is not a legitimate tool of statutory interpretation." *Bruesewitz v. Wyeth LLC*, 562 U.S. 223, 242 (2011). The court below thus improperly credited the commentary for far more than it is worth.

III. The Decision Below Undermines the Statutory Policies of Clarity, Predictability, Notice, and Sound Dispute Resolution.

Congress chose to create a uniform national statute of limitations so that patent holders and potential infringers could conduct their affairs and evaluate their rights and interests with certainty. A bright-line rule prevents premature litigation, reduces its costs, and fosters out-of-court dispute resolution. This Court recognized the benefits of a clearly stated timeliness rule in *Petrella*, but the decision below disregards them.

A. The Purpose of Section 286 Was to Create a Clear, Predictable, and Uniform Rule of Timeliness.

As noted, Congress enacted the limitations period codified in section 286 in order to establish "a uniform statute of limitations," in lieu of borrowing disparate state limitations periods. H.R. REP. NO. 54-940, at 2 (1986) (explaining Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 692, 694); *see also* 29 Cong. Rec. 901 (1897) ("this bill proposes to make a universal statute of six years, covering the entire country."). Congress's clear goal was thus to create a single limitations rule that would be "uniform throughout the country," with the expectation that it would be met "with general approval by the courts, for it again simplifies the issues " 29 Cong. Rec. 902 (1897).

The Federal Circuit's use of laches conflicts with this purpose. Its standard necessarily varies from case to case and is far from simple to apply.

B. The Equitable Laches Standard Promotes Needless Litigation, Not Settlement.

Clear timeliness rules help patent holders gauge when the benefits of litigation will outweigh their substantial costs. As this Court observed in *Petrella*, a clear statute of limitations "allows a copyright owner to defer suit until she can estimate whether litigation is worth the candle." 134 S. Ct. at 1976. As the Court also noted, under such a rule rights holders do not have to "sue soon or forever hold [their] peace." *Id.* Conversely, an ambiguous limitations standard would encourage patent holders to police every infringement by filing suit immediately so as not to lose their rights, which would only increase rather than reduce the amount of patent litigation. As this Court put it, such a rule would mean that patent holders "would have to mount a federal case fast to stop seemingly innocuous infringements, lest those infringements eventually grow in magnitude." *Id.*

Waiting often benefits all parties involved. Some infringements turn out to be too small to warrant litigation. Some patent holders, especially small inventors, need time because they may not find out about infringement for an extended period. Moreover, waiting gives both sides plenty of opportunity to try to resolve disputes out of court, by negotiating licensing agreements, seeking PTO review (as happened here), pursuing arbitration or mediation, or settling out of court. As the American Bar Association's Section on Intellectual Property Law has explained:

> [I]f the laches defense is more widely available (including during the six-year damages recovery period), patent

> litigation may be filed more quickly Under the Federal Circuit's *SCA Hygiene* decision, rational patent holders may fear that any delay could lead to laches (and the risk having the bulk of damages related to the infringement stripped away). Such an incentive is contrary to the long-held judicial policy favoring out-of-court dispute resolution.

Reply App. 9a–10a.

The facts of this case illustrate the perversity of penalizing reasonable delay. When First Quality disputed the validity of its patent, SCA first sought reexamination from the PTO. The reexamination took almost three years, and could easily take longer in some other proceedings. Cases that go through appeal within the PTO and to the Federal Circuit can take the better part of a decade. Patent holders should not be forced to file suit while regulatory action is still pending in order to avoid losing their rights if they are still within the limitations period Congress has prescribed. Yet the decision below penalized SCA for the very delay necessitated by the reexamination process, barring not only the oldest infringement damages claims but even the most recent ones. Unless reversed, the decision below will force future litigants to bypass the PTO and charge straight into court.

C. Congress Provided a Marking Requirement That Usually Limits Back Damages to Infringers Who Were on Notice.

In addition to creating perverse incentives, laches is also unnecessary to prevent stale claims for back damages. Congress carefully considered the issue of timeliness as part of a larger regulatory scheme, enacting three interlocking provisions that regulate the ability to collect pre-suit damages. The twenty-year patent term (35 U.S.C. § 154), the six-year limitations period, and the marking and notice provision (35 U.S.C. § 287) work together to create a well-designed statutory system for regulating back-damages awards. These provisions strike a balance between the rights of the patentee, the infringer, and the public. With Congress having expressly considered delay in legislating the requirements for pre-suit damages, it is not up to the courts to create a fourth requirement.

In particular, Congress addressed the problem of potential surprise to infringers in section 287(a). In order to seek back damages, the patent holder has to show that all infringing goods sold under its authority were marked with the patent number or that the patent holder gave direct notice of the claim to the infringer. *See Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 514 (1964) (White, J., concurring); *Dunlap v. Schofield*, 152 U.S. 244, 248–49 (1894), *superseded by rule, as recognized in Maxwell v. J. Baker, Inc.*, 805 F. Supp. 728, 732 n.2 (D. Minn. 1992). Marking is sometimes impossible or impractical, such as when a cellphone uses hundreds or thousands of patents. Accordingly, in most cases

where the patentee seeks back damages, the patent holder must show that it made an explicit charge of infringement prior to suit.[3] The marking or notice requirements thus ensure fair warning, guarding against prejudice. There is no need for a laches defense to complicate and muddle this regulatory landscape. And if a potential infringer wishes to resolve the matter sooner, it is always free to file a declaratory judgment action. *See Petrella*, 134 S. Ct. at 1978–79.

IV. The Federal Circuit's Unique Presumption in Favor of Laches Conflicts with This Court's Equity Jurisprudence.

Finally, even if the courts have the power to use laches to curtail the six-year limitations period, they may not presume laches simply because an earlier infringement has occurred. As noted previously, the Federal Circuit's unique presumption of laches in patent cases stems from its decision in *Aukerman*. In that decision, the court concluded that, when a first act of infringement occurs more than six years before suit, the reliance and prejudice elements of laches are presumed with respect to all infringement occurring during the six-year period. 960 F.2d at 1028. The

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[3] The Federal Circuit has held that compliance with section 287 is not required in certain circumstances. *Am. Med. Sys., Inc. v. Med. Eng'g Corp.*, 6 F.3d 1523, 1538 (Fed. Cir. 1993) (only method claims asserted); *Texas Digital Sys., Inc. v. Telegenix, Inc.*, 308 F.3d 1193, 1219–20 (Fed. Cir. 2002) (no prior use of patent by patent holder or licensees), *overruled on other grounds by Phillips v. AWH Corp.*, 415 F.3d 1303, 1320–23 (Fed. Cir. 2005).

presumption rests on the premise that infringement is a "unitary claim," and that infringement before and after the six-year limitations date must rise and fall together. *Id.* at 1031–32.

This Court, however, expressly rejected such a presumption in *Petrella*. In *Petrella*, the Ninth Circuit, like the decision below, had presumed laches in the copyright context whenever any *other* infringing acts had originated before the statute of limitations. 134 S. Ct. at 1973. The Ninth Circuit's presumption of laches at issue in *Petrella*, like the presumption of laches here, is at war with the separate-accrual rule discussed above. The Copyright Act's statute of limitations "makes the starting trigger an infringing act committed three years back from the commencement of suit, while laches," and in particular the presumption in favor of laches, "makes the presumptive trigger the defendant's *initial* infringing act." *Id.* at 1975. "Only by disregarding [the limitations on damages for time-barred infringements], and the separate-accrual rule attending [the statute of limitations], could the [lower court in *Petrella*] presume that infringing acts occurring before [the statute of limitations] bar all relief, monetary and injunctive, for infringement occurring on and after that date." *Id.* at 1973. Thus, even if the doctrine of laches had any continued vitality in relation to legal damages claims, there would be no basis for presuming unreasonable delay and prejudice with respect to *new* acts of infringement occurring within the six-year damages window.

The presumptions of unreasonable delay and prejudice work perverse and bizarre results, as this

case well illustrates. Here, rather than burden the courts needlessly, SCA asked the PTO to reexamine its own patent. The reexamination process spanned from six years before suit to three years and four months before suit, but could easily have taken many more years with PTO and court appeals. During the reexamination process, First Quality committed repeated acts of infringement, and it also infringed the new claims issued at the conclusion of the reexamination for three years and four months before suit. Although section 286 gives the patent holder six years to file suit, the district court, acting in equity, snuffed out all pre-suit infringement claims, presuming unreasonable delay.

With respect to prejudice, the presumptions were dispositive on the issue of laches, but oddly not on the issue of estoppel. In particular, the court below found that there was a genuine issue of fact for trial on prejudice for estoppel purposes, barring summary judgment. Yet, the court then woodenly applied the laches presumption of prejudice to the same facts in order to bar SCA's claim for back damages.

Legal rules and equitable standards each have their place, but it is important to keep each from exceeding its proper office. For the timeliness of patent claims, Congress chose legal rules, a decision that should be respected. But if the Court decides to retain any role for equity in this matter, surely, the signature virtue of equity—its flexibility—should be preserved. Because the Federal Circuit's presumption regime is inequitably inflexible, it should be abandoned.

CONCLUSION

For the foregoing reasons, the judgment of the court of appeals should be reversed.

Respectfully submitted,

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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG AND SCA PERSONAL CARE, INC.,
Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,
Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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QUESTION PRESENTED

Whether laches is available as a defense under the Patent Act to bar claims for damages.

CORPORATE DISCLOSURE STATEMENT

First Quality Baby Products, LLC; First Quality Hygienic, Inc.; First Quality Products, Inc.; and First Quality Retail Services, LLC are privately held companies, and no publicly held company owns 10% or more of the stock of any of them.

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INTRODUCTION

By the time Congress enacted the Patent Act of 1952, courts had been applying laches to bar damages in patent infringement cases for over fifty years, alongside the separate six-year limit on damages now found in 35 U.S.C. § 286. Congress codified that longstanding judicial consensus—that a patent is rendered unenforceable when a patentee's unreasonable delay in filing suit prejudices the defendant—in § 282 of the Patent Act, which provides that existing "unenforceability" defenses, such as laches, are available "in any action." Every court of appeals to consider the question since 1952 has agreed that laches is a defense to damages in patent infringement cases. During that same period, Congress has repeatedly modified § 282 and other relevant provisions of the patent laws without ever expressing any disagreement with the uniform consensus that laches is available to bar damages claims.

SCA's effort to upend that century-old consensus and escape the consequences of its unreasonable and prejudicial delay should be rejected. SCA's entire case depends on extending *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), to patent law. But the unique text, history, and purpose of the Patent Act all distinguish this case from *Petrella*. SCA's attempt to gloss over those differences ignores that *Petrella* rests at bottom on a concern for respecting congressional judgment. Congress's different judgment in the Patent Act thus calls for a different result from the one reached under the Copyright Act. Nothing in *Petrella* suggested that Congress could not retain both an outer limit for recovery of patent infringement damages, 35 U.S.C. § 286, as well as equitable defenses, such as laches, that may bar damages within that period, *id.*

§ 282.[1] That is exactly what Congress did here, acting against the backdrop of settled judicial practice.

It is SCA's desired rule, not that of the court below, that would "jettison Congress' judgment," *Petrella*, 134 S. Ct. at 1967, destabilize the law, and invite abusive practices. The court of appeals' judgment upholding the district court's finding of laches should be affirmed.

STATEMENT

A. Statutory Background

1. Before 1870, a patentee seeking both an injunction and damages was forced to bring duplicative proceedings in equity and at law. A federal court sitting in equity could not directly compensate the patentee for its past losses; rather, the court was limited to ordering an infringer to disgorge any "gains and profits." *Tilghman* v. *Proctor*, 125 U.S. 136, 148 (1888). This remedy proved incomplete whenever the patentee's losses exceeded the infringer's gains. *See, e.g.*, *Birdsall* v. *Coolidge*, 93 U.S. 64, 69-70 (1876).

Congress addressed that shortcoming in the Patent Act of 1870, which authorized federal courts sitting in equity to award the same damages available at law:

> [T]he court shall have power, upon bill in equity ... to grant injunctions according to the course and principles of courts of equity, ... and upon a decree being rendered in any such case for an infringement, the [patentee] shall be entitled to recover, in addition to the profits to be accounted for by the defendant, *the damages*

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[1] Except as otherwise noted, all citations to title 35 are to the 2010 edition applicable to this case. Pet. App. 18a n.2.

> *the complainant has sustained thereby*, ... and the court shall have the same powers to increase the same in its discretion that are given by this act to increase the damages found by verdicts in actions upon the case ....

Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206 (emphasis added) (codified as amended at Rev. Stat. § 4921 (1874)). Congress did not give courts of law the power to issue injunctions; a separate provision of the 1870 Act instead limited courts of law to awarding "actual damages." *Id.* § 59, 16 Stat. at 207 (codified as amended at Rev. Stat. § 4919). Accordingly, a patentee could obtain both an injunction and damages in equity, but only damages at law.

Patentees predictably responded by "resort[ing] to actions at law with decreasing frequency" after 1870, "until finally the jurisdiction of equity over infringement suits became for all practical purposes exclusive." Lutz, *Evolution of the Claims of U.S. Patents*, 20 J. Pat. Off. Soc'y 457, 470 (1938). Indeed, "virtually none of the patent cases decided in this period" were tried at law. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 Va. L. Rev. 1673, 1704 (2013); *see also* Heard, *The New Rules of Civil Procedure as Affecting Patent Litigation*, 20 J. Pat. Off. Soc'y 895, 895 (1938) ("Patent cases are very seldom tried as actions at law."). Actions at law were reserved only for the rare cases in which equity jurisdiction could not be invoked—for example, because the patent had already expired and thus could no longer be infringed. The "dominance of equity" in patent law persisted through the merger of law and equity in 1938 and the adoption of the Patent Act of 1952. *See* Lemley, 99 Va. L. Rev. at 1704 ("only 2.5% of patent suits were tried to a jury" in 1940); Judicial Conference of the United States, *Re-*

port of the Division of Procedural Studies and Statistics, *in Annual Report* 67, 134 tbl. C4 (1952) (87 bench trials to 4 jury trials in 1952 fiscal year).

As a result, "[m]uch of the overall body of patent jurisprudence was developed within the equity framework"; patent law is accordingly suffused with "equitable approaches to judicial reasoning and lawmaking," including "such explicitly equity-based doctrines as patent misuse, inequitable conduct, and laches." Beauchamp, *The First Patent Litigation Explosion*, 125 Yale L.J. 848, 913 (2016). Equitable principles also informed the development of other doctrines that continue to this day, including the doctrine of equivalents, patent exhaustion, the experimental use exception, and prosecution laches.

2. The dominance of equity between 1870 and 1952 is reflected in the fact that when Congress amended the Patent Act to address issues relating to *damages*, it made the amendments exclusively in the section of the statute governing damages in *equity*, Rev. Stat. § 4921.[2]

First, in 1897, Congress enacted the predecessor to the six-year damages period now found in 35 U.S.C. § 286. Congress placed that limitation in Rev. Stat. § 4921 and made it applicable both in equity and at law: "in any suit or action ... there shall be no recovery of profits or damages for any infringement committed more than six years before" filing. Act of Mar. 3, 1897,

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[2] Congress made no comparable changes to the provision governing damages at law, which remained unchanged from the 1870s onwards. *Compare* Rev. Stat. § 4919, *with* 35 U.S.C. § 67 (1946).

ch. 391, § 6, 29 Stat. 692, 694.[3] Second, in 1922, Congress modified § 4921 to permit equity courts to award "a reasonable sum" in damages, if a patentee had difficulty proving actual damages or profits in an accounting. Pub. L. No. 67-147, § 8, 42 Stat. 389, 392 (1922). Third, in 1946, Congress eliminated reference to disgorgement of profits and set a floor for damages in § 4921 by providing that they be "not less than a reasonable royalty." Pub. L. No. 79-587, 60 Stat. 778, 778 (1946).

The upshot of these successive changes is that courts sitting in equity and applying Rev. Stat. § 4921 were awarding the same reasonable-royalty damages available today, 35 U.S.C. § 284, subject to the same six-year cutoff, *id.* § 286.

3. Between 1870 and 1952, federal courts repeatedly recognized and applied laches when a patentee unreasonably and inexcusably "slept upon his rights" to the accused infringer's prejudice. *Lane & Bodley Co.* v. *Locke*, 150 U.S. 193, 201 (1893). In *Lane & Bodley*, which arose before Congress enacted the six-year damages period in 1897, this Court dismissed a suit in equity after the patentee delayed more than twelve years before suing. *Id.* at 200-201. Subsequent patent cases decided after 1897 held that laches barred the patentee from recovering profits *or damages*—whether sought in equity, as in the vast majority of patent litigation at the time (*infra* pp. 17-21 & n.8), or in the rare cases brought at law (*infra* pp. 21-22). Courts continued to

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[3] The 1870 Act had limited a patentee's window to recover damages to the patent term plus six years, but that provision was eliminated in 1874. *See Campbell* v. *City of Haverhill*, 155 U.S. 610, 613-614 (1895).

apply the same rule after the 1938 merger of law and equity. *Infra* p. 23.

4. Congress enacted the Patent Act of 1952 against that backdrop. Pub. L. No. 82-593, 66 Stat. 792. The purpose of the 1952 Act was to codify existing patent law, except as otherwise noted. *See* H.R. Rep. No. 82-1923, at 3 (1952) (explaining "the main purpose of codification and enactment of title 35 into law, with only some minor procedural and other changes").

The 1952 Act consolidated the two damages provisions, Rev. Stat. §§ 4919 and 4921, into a single new provision, § 284, modeled primarily on the equity side of the statute. 66 Stat. at 813; H.R. Rep. No. 82-1923, at 29. Congress also maintained the six-year outer limit on recovering damages, but placed it in a new standalone section, § 286. 66 Stat. at 813.

Finally, in § 282 of the 1952 Act, Congress codified existing defenses to patent infringement. 66 Stat. at 812. The 1870 Act had included a list of five defenses that could be pleaded, but the list was not exhaustive. Act of July 8, 1870, § 61, 16 Stat. at 208 (codified as amended at Rev. Stat. § 4920). Rather than attempting to enumerate each and every defense recognized by the courts, Congress "omitted and replaced" the prior list with "a broader paragraph specifying defenses in general terms." H.R. Rep. No. 82-1923, at 29. In particular, Congress provided in § 282 that the "following shall be defenses in any action involving the validity or infringement of a patent," and then listed defenses including "Invalidity" and "Noninfringement, absence of liability for infringement or unenforceability." 66 Stat. at 812.

B. Factual Background

1. *Infringement Accusations.* SCA and First Quality are competitors in the market for adult incontinence products. On October 31, 2003, SCA sent a letter accusing First Quality of making and selling protective underwear products that infringed SCA's U.S. Patent No. 6,375,646 ("the '646 patent"). JA54-55.

Three weeks later, on November 21, 2003, First Quality responded to SCA, also by letter, explaining that First Quality's products did not and could not infringe the '646 patent because that patent is invalid. First Quality's letter explained that even a "cursory review" of the prior art revealed that the same claimed features were already disclosed in U.S. Patent No. 5,415,649 to Watanabe. JA52.

SCA never again accused First Quality of infringing the '646 patent until SCA brought this suit in August 2010, nearly seven years later. But the parties had several other interactions. In April 2004, SCA accused a different First Quality product of infringing a different SCA patent, without mentioning the '646 patent. Pet. App. 95a. First Quality responded with a letter referencing the parties' prior correspondence regarding the '646 patent, and SCA replied in July 2004, again without mentioning the '646 patent. *Id.* 95a-96a. SCA's apparent abandonment of its infringement contentions with respect to the '646 patent reinforced First Quality's belief that the '646 patent was no longer an issue. *Id.* 4a, 116a.

2. *Reexamination.* SCA had been aware of the prior art Watanabe patent long before First Quality's 2003 letter referencing it; SCA knew of Watanabe since at least 1998, from proceedings on the European counterpart to the '646 patent. *See* CAJA586-587 & n.1, 865-

866. However, SCA had failed to disclose the Watanabe patent to the U.S. Patent and Trademark Office when obtaining the '646 patent, notwithstanding its duty to disclose material prior art. CAJA879-880. In July 2004, after the correspondence described above, SCA belatedly brought Watanabe to the PTO's attention by initiating an ex parte reexamination of the '646 patent. Pet. App. 4a. SCA did not inform First Quality of this development. *Id.*[4]

The reexamination "took almost three years," as SCA notes (at 10), in part because the patent examiner initially rejected all the '646 patent claims as anticipated by Watanabe. CAJA188. SCA ultimately survived the reexamination by reading the '646 patent claims narrowly. CAJA188-190. The reexamination concluded in March 2007, with the PTO confirming its view of the patentability of the '646 patent claims and authorizing additional dependent claims (*i.e.*, claims that are necessarily narrower than the original claims). SJA10-11.

3. *SCA's Monitoring and First Quality's Prejudice.* At no point during the reexamination (or for three years after) did SCA inform First Quality of that proceeding or suggest that SCA continued to view any First Quality products as potentially infringing the '646 patent. But throughout that period, SCA, which is much larger than First Quality, kept close watch over First Quality's business through "an entire department dedicated solely to competitive intelligence," which had "continuously tracked First Quality's activity since 2003." Pet. App. 104a. SCA acquired and analyzed

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[4] SCA observes (at 9-10) that notices of reexamination are open to public inspection. It is undisputed, however, that First Quality never learned of the reexamination until SCA brought this suit. Pet. App. 96a.

First Quality products and advertisements and kept abreast of First Quality's expansion plans. CAJA920, 923-926, 929-931, 939, 941-943, 945-946.

First Quality, meanwhile, invested substantial capital to expand its market and increase sales of the very products SCA would later claim infringe the '646 patent. Among other steps, First Quality spent hundreds of millions of dollars to develop new protective underwear lines and to acquire one of its competitors, a subsidiary of Covidien. Pet. App. 5a, 70a-71a, 107a-108a. First Quality's sales of the accused products during this period increased eight-fold over the sales levels that had prompted SCA's initial letter. CAJA1085.

C. Prior Proceedings

1. *District Court Proceedings.* In August 2010, after nearly seven years of delay, SCA brought this suit seeking an injunction and damages for First Quality's alleged infringement of the '646 patent. JA23. In an attempt to reach First Quality's products, SCA proposed a construction of the '646 patent claims that was broader than the narrowing gloss it had adopted to overcome Watanabe during the reexamination. CAJA189-190. The district court rejected that effort under the doctrine of prosecution history estoppel. CAJA190.

At summary judgment, the district court held that laches barred SCA from recovering any damages that accrued before suit was filed. Pet. App. 111a, 120a. The court explained that an accused infringer may establish the defense under settled law by proving two elements: unreasonable delay by the patentee and resulting prejudice to the accused infringer. Pet. App. 98a-99a (citing *A.C. Aukerman Co.* v. *R.L. Chaides*

Constr. Co., 960 F.2d 1020, 1028 (Fed. Cir. 1992) (en banc)). When the patentee delays for more than six years, the accused infringer is entitled to a presumption of unreasonable and prejudicial delay, which the patentee may rebut by providing evidence to explain its delay or dispel the prejudice. *Aukerman*, 960 F.2d at 1035-1036. Applying that presumption, the district court held that SCA failed to present evidence sufficient to create a genuine issue of fact regarding the unreasonableness of its delay or First Quality's prejudice from that delay. Pet. App. 105a, 110a-111a. The court also ruled that SCA's three-year delay after the reexamination, standing alone and without the benefit of a presumption, "support[ed] a finding of unreasonable delay" on these facts. *Id.* 105a n.1.

The court ruled, in particular, that the reexamination proceeding did not excuse SCA's delay in this case. Pet. App. 102a-103a.[5] The court also "reject[ed] SCA's argument that it needed more than three years," *after* the reexamination proceeding concluded, "to determine whether it was appropriate to bring infringement claims against First Quality," given that "SCA had already completed its infringement analysis by October of 2003, when it sent the initial letter to First Quality." *Id.* 104a. Further, SCA's assertion that it needed three years to locate U.S. counsel was insufficient, given that SCA's U.S. in-house counsel oversaw all its U.S. litigation and had already retained U.S. counsel to accuse

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[5] To this day, SCA has never provided any explanation for its decision not to inform First Quality of the reexamination proceeding, which was prompted by SCA's own failure to disclose Watanabe to the PTO during the original prosecution of the '646 patent.

First Quality of infringement in 2003 and to conduct the reexamination. *Id.*

The district court also held that First Quality had established the separate defense of equitable estoppel, based on SCA's misleading conduct. Pet. App. 111a-119a. Finally, the court dismissed as moot First Quality's other pending motions, including two for summary judgement on non-infringement grounds. *Id.* 120a.

2. *Panel Decision.* A panel of the Federal Circuit affirmed in part and reversed in part. As to laches, the panel unanimously held that *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), did not abrogate the court's recognition in *Aukerman* that laches could bar a damages claim for patent infringement, and it ruled that the district court's laches decision was correct on the record presented. Pet. App. 75a-84a. The panel also held that SCA had waived its argument, raised for the first time on appeal, that the dependent claims issued after reexamination should have been analyzed differently for laches purposes. *Id.* 84a-85a.

The panel reversed as to equitable estoppel, concluding that genuine issues of material fact remained as to whether SCA's communications misled First Quality and, if so, whether First Quality's reliance on those misrepresentations caused First Quality's prejudice—a causation issue relevant only to estoppel, not laches. Pet. App. 89a.

3. *En Banc Decision.* The Federal Circuit reheard the case en banc to reconsider *Aukerman* and

the viability of a laches defense to a patent infringement suit for damages in light of *Petrella*.[6]

A majority of the en banc court began by acknowledging that § 286 is not a statute of limitations, but it declined to distinguish *Petrella* on that basis. Pet. App. 17a-18a. It then turned to a careful examination of the reasoning of both *Petrella* and *Aukerman*. The majority reaffirmed the core holding of *Aukerman* that Congress codified laches as a defense to damages in § 282 of the Patent Act of 1952, in full view of the separate six-year period in § 286. *Id.* 18a, 22a, 35a-36a; *Aukerman*, 960 F.2d at 1029-1030; *cf. Petrella*, 134 S. Ct. at 1974 n.15 (describing *Aukerman* as "[b]ased in part on § 282 and commentary thereon, legislative history, and historical practice"). The en banc majority declined to second-guess that legislative judgment, finding itself bound to "apply the law as enacted, which means that the § 286 damages limitation and the § 282 laches defense must continue to coexist." Pet. App. 36a. Five judges dissented from this ruling. *Id.* 45a-66a.[7]

The "cornerstone" (Pet. Br. 15) of the decision below was the text and history of the 1952 Patent Act, and the uniform pre-1952 judicial consensus that laches was available as a defense to patent damages claims. Pet. App. 18a-22a, 29a-34a. The majority's view was further confirmed by commentary from P.J. Federico, a principal draftsman of the 1952 Act, who noted that the defenses codified in § 282 included "'*equitable defenses*

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[6] The en banc court declined SCA's request to reconsider the rebuttable presumption of laches. Opp. 29-30.

[7] The en banc court unanimously modified circuit law to clarify that laches may be considered in fashioning appropriate injunctive relief. Pet. App. 40a-41a, 46a n.1.

such as laches, estoppel, and unclean hands.'" *Id.* 20a. Finally, the court noted that pre-suit delay poses a unique and recurring risk of hardship in patent law, not found in copyright law, because delay often forecloses the infringer from substituting a non-infringing technology, and the court observed that "[t]his risk likely explains why the amici in this case—encompassing industries as diverse as biotechnology, electronics, manufacturing, pharmaceuticals, software, agriculture, apparel, health care, telecommunications, and finance—overwhelmingly support retaining laches in patent law." *Id.* 38a.

The en banc court reinstated the panel's decision as to equitable estoppel and remanded the case for further proceedings. Pet. App. 44a.

4. *Subsequent Proceedings.* After remand, SCA moved for a stay pending disposition of its petition to this Court. JA46. The district court denied SCA's request. Order 1-2, Dist. Ct. Dkt. 150. Proceedings in the district court are thus ongoing, with two potentially case-dispositive defenses relating to equitable estoppel and noninfringement pending. *See* First Quality Ltr. 2-3, Dist. Ct. Dkt. 153 (summarizing defenses); Order 1, Dist. Ct. Dkt. 155 (reopening case and reinstating case-dispositive motions).

SUMMARY OF ARGUMENT

I. Congress codified laches as a defense to damages in the Patent Act of 1952. Before 1952, the federal courts uniformly recognized such a defense in patent law, alongside the same six-year outer limit on recovering damages now found in 35 U.S.C. § 286. Congress's choice in 1870 to allow for the recovery of damages in courts of equity caused the vast majority of patent liti-

gation to be brought in equity, and laches was routinely applied in those cases to bar recovery of damages. Laches was also recognized as a defense in the rare patent actions brought at law. This consensus view of laches as a defense to damages in patent law continued unabated after the 1938 merger of law and equity. SCA's effort to rebut the judicial consensus by criticizing the few decisions rendered at law fails on its own terms, overlooks the many decisions in equity, and does not account for the post-merger decisions.

Congress codified this settled view of laches in § 282 of the Patent Act of 1952 by making "unenforceability" defenses available "in any action." By using the term "unenforceability," Congress intended to incorporate the established meaning of that term, which included laches as a defense to damages. The history of the 1952 Act confirms that Congress's purpose in § 282 was to preserve existing unenforceability defenses and that Congress anticipated that those defenses would be available to bar recovery of damages. Furthermore, the overall purpose of the 1952 Act was to codify existing law, and Congress's intent to preserve laches was perceived immediately.

Every court of appeals to consider the question after 1952 recognized that laches remained available as a defense to damages in patent law. Since 1952, Congress has modified the Patent Act in various ways, including amendments to § 282, without ever disturbing the uniform recognition of laches as a defense. Any changes should be left to Congress.

II. This Court's decision in *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), supports retaining laches as a defense in patent law because *Petrella* rests at bottom on an inference of legislative in-

tent. The Copyright Act's three-year statute of limitations, together with other statutory provisions and the historic role of laches as "gap-filling" in equity, persuaded the Court that Congress had impliedly foreclosed the defense of laches in copyright infringement actions for damages. The same careful attention to statutory text and history leads to a different result here. All the available evidence indicates that Congress intended to preserve laches as a defense to damages under the Patent Act.

SCA's contrary view, premised on 35 U.S.C. § 286, is unfounded. To start, § 286 is not a statute of limitations at all. A statute of limitations requires the plaintiff to bring suit within a fixed period of time after the plaintiff's cause of action accrues. Section 286, by contrast, runs backwards from when the defendant is sued and is not dependent on when the plaintiff knew or should have known of the defendant's allegedly infringing activities. In enacting § 286, Congress left ample room for laches to operate alongside the six-year period, as had been true for decades before the 1952 Patent Act. Reading the Patent Act to permit the laches defense within § 286's six-year period is also consistent with the text and history of that provision. Laches has distinct elements and does not shorten the six-year period or otherwise undermine § 286. Finally, Congress had good reason to retain laches as a defense to damages in the Patent Act but not the Copyright Act given the substantial differences between the two—including the danger that patentees will unreasonably delay suit until infringers with no knowledge of the patent are locked into using the patented technology.

III. The presumption that delay of six years or more is unreasonable and prejudicial should be retained. The presumption predates the 1952 Act, has

been widely recognized in the courts of appeals (not simply the Federal Circuit), and is consistent with historical practice. It provides a useful benchmark for ensuring consistency across cases, and it sensibly places the burden on the patentee to explain long periods of pre-suit delay. Finally, the presumption made no difference here, so affirmance is warranted in any event.

ARGUMENT

I. CONGRESS CODIFIED LACHES AS A DEFENSE TO DAMAGES CLAIMS IN § 282 OF THE PATENT ACT

When Congress enacted § 282 of the Patent Act of 1952, it codified the longstanding judicial consensus that laches is available as an unenforceability defense against damages claims, alongside the six-year period now found in § 286. For decades prior to the 1952 Act, courts had routinely recognized laches as a bar to enforcing stale claims *for damages*. Congress intended to preserve that settled view by codifying laches as one of the "unenforceability" defenses available "in any action" under § 282. Given the overwhelming pre-1952 consensus, it is no surprise that every court to consider the question after 1952 held that laches is available in patent litigation to bar damages claims brought after unreasonable, prejudicial delay. Congress has repeatedly amended the Patent Act, including § 282, in full view of those decisions, without ever seeing fit to modify laches. At this late date, "[a]ny re-calibration" of the laches defense should be left to Congress. *Microsoft Corp.* v. *i4i Ltd. P'ship*, 564 U.S. 91, 114 (2011).

A. Before 1952, The Federal Courts Uniformly Recognized Laches As A Bar To Recovering Damages For Patent Infringement

As this Court has recognized, Congress adopted the 1952 Act as a "codification" of existing law, against a "backdrop" of decades of patent decisions that shed light on the Act's meaning. *Halo Elecs., Inc.* v. *Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1930 (2016). That is no less true of § 282, which codified decades of cases recognizing laches as a defense to patent damages, both before and after the merger of law and equity.

1. Laches barred recovery of patent damages before the merger of law and equity

Patent litigation occurred almost exclusively in equity from 1870 onwards as a result of a deliberate choice Congress made that year to allow courts of equity to award damages for patent infringement. Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206; *see supra* pp. 2-4. This legislative change, combined with other factors, ushered in a long period in which the overwhelming majority of cases seeking damages were brought in equity. *Supra* pp. 3-4; *see also, e.g.*, 3 Robinson, *The Law of Patents for Useful Inventions* § 932 n.5 (1890) (noting "the almost entire substitution of actions in equity for actions on the case in courts of law where equity jurisdiction can be claimed").

This "shift of patent litigation from common law to equity was deeply important to the evolution of patent law." Beauchamp, *The First Patent Litigation Explosion*, 125 Yale L.J. 848, 912 (2016). As a result, modern patent law is now "riddled with equitable approaches" that arose in these formative years, gained general application, and remain part of the law today. *Id.* at 913

(collecting examples); *see supra* p. 4. One of those longstanding doctrines is the tradition of applying laches as a defense to patent damages.

Far from "a handful of ambiguous lower court decisions" (Pet. Br. 37), a mountain of authority recognized laches as a defense barring recovery of damages or profits. *See, e.g.*, *Westco-Chippewa Pump Co.* v. *Delaware Elec. & Supply Co.*, 64 F.2d 185, 186-188 (3d Cir. 1933) (plaintiff's laches barred recovery after "having stood by and having done nothing to protect its rights for seven years while the defendant was building up a business, which it thought was legitimate"); *Dwight & Lloyd Sintering Co.* v. *Greenawalt*, 27 F.2d 823, 827 (2d Cir. 1928) (L. Hand, J.) ("delay of 13 years, not otherwise excused, therefore appears to us fatal to any accounting"); *Wolf Mineral Process Corp.* v. *Minerals Separation N. Am. Corp.*, 18 F.2d 483, 490 (4th Cir. 1927) ("laches shown by the record would be quite sufficient of itself to bar complainant of relief"); *Cummings* v. *Wilson & Willard Mfg. Co.*, 4 F.2d 453, 455 (9th Cir. 1925) (delay "shows such laches as will clearly preclude any right to relief"); *Wolf, Sayer & Heller, Inc.* v. *United States Slicing Mach. Co.*, 261 F 195, 197-198 (7th Cir. 1919) (evidence "discloses such laches as to prevent appellee from collecting damages for past infringements"); *A.R. Mosler & Co.* v. *Lurie*, 209 F. 364, 371 (2d Cir. 1913) (patentees cannot remain "supine for many years," and then "insist on being granted an accounting for damages and profits during their long period of inaction").[8]

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[8] *See also Union Shipbuilding Co.* v. *Boston Iron & Metal Co.*, 93 F.2d 781, 783 (4th Cir. 1938); *Gillons* v. *Shell Co. of Cal.*, 86 F.2d 600, 608-610 (9th Cir. 1936); *Holman* v. *Oil Well Supply Co.*, 83 F.2d 538, 538 (3d Cir. 1936) (per curiam); *Dock & Terminal*

Some decisions of this era refer generally to laches as a bar to "any accounting," *Dwight & Lloyd*, 27 F.2d at 827, or to "'relief,'" *Gillons* v. *Shell Co. of Cal.*, 86 F.2d 600, 610 (9th Cir. 1936). As the court of appeals explained, however, after Congress authorized equity courts to award damages, an "accounting" became the generic term for the calculation of monetary relief, including damages, in equity. Pet. App. 29a; *see also*

Eng'g Co. v. *Pennsylvania R.R.*, 82 F.2d 19, 19-20 (3d Cir. 1936); *George J. Meyer Mfg. Co.* v. *Miller Mfg. Co.*, 24 F.2d 505, 507-508 (7th Cir. 1928); *Window Glass Mach. Co.* v. *Pittsburgh Plate Glass Co.*, 284 F. 645, 650-651 (3d Cir. 1922); *Safety Car Heating & Lighting Co.* v. *Consolidated Car Heating Co.*, 174 F. 658, 662 (2d Cir. 1909) (per curiam); *Richardson* v. *D.M. Osborne & Co.*, 93 F. 828, 830-831 (2d Cir. 1899); *Woodmanse & Hewitt Mfg. Co.* v. *Williams*, 68 F. 489, 493-494 (6th Cir. 1895); *Dallas Mach. & Locomotive Works, Inc.* v. *Willamette-Hyster Co.*, 28 F. Supp. 207, 212-213 (D. Or. 1939), *aff'd on other grounds*, 112 F.2d 623 (9th Cir. 1940); *Wheatley* v. *Rex-Hide, Inc.*, 25 F. Supp. 543, 544-545 (N.D. Ill. 1938), *aff'd on other grounds*, 102 F.2d 940 (7th Cir. 1939); *Remington Rand, Inc.* v. *Acme Card Sys. Co.*, 29 F Supp. 192, 200-201 (S.D. Ohio 1937); *Celastic Corp.* v. *McClellan Shoe Specialty Co.*, 15 F. Supp. 1048, 1050 (D. Del. 1936); *Temco Mfg. Co.* v. *National Elec. Ticket Register Co.*, 33 F.2d 777, 778 (E.D. Mo. 1928); *Wilkie* v. *Manhattan Rubber Mfg. Co.*, 8 F.2d 785, 788 (D.N.J. 1925), *aff'd on other grounds*, 14 F.2d 811 (3d Cir. 1926); *Yates* v. *Smith*, 271 F. 27, 31-33 (D.N.J. 1920), *aff'd on other grounds*, 271 F. 33 (3d Cir. 1921); *Westinghouse Air Brake Co.* v. *New York Air Brake Co.*, 111 F. 741, 742 (N.D.N.Y. 1901); *Meyrowitz Mfg. Co.* v. *Eccleston*, 98 F. 437, 439-440 (C.C.D. Mass. 1899); *Starrett* v. *J. Stevens Arms & Tool Co.*, 96 F. 244, 246 (C.C.D. Mass. 1899), *aff'd*, 100 F. 93 (1st Cir. 1900); *McLaughlin* v. *People's Ry. Co.*, 21 F. 574, 574 (C.C.E.D. Mo. 1884); *cf. Montgomery Ward & Co.* v. *Clair*, 123 F.2d 878, 883 (8th Cir. 1941) (laches available but not established on the facts of the case); *Hartford-Empire Co.* v. *Swindell Bros.*, 96 F.2d 227, 232-233 (4th Cir. 1938) (same); *United Drug Co.* v. *Ireland Candy Co.*, 51 F.2d 226, 232 (8th Cir. 1931) (same); *Frank F. Smith Hardware Co.* v. *S.H. Pomeroy Co.*, 299 F. 544, 547-549 (2d Cir. 1924) (same).

Robert Bosch, LLC v. *Pylon Mfg. Corp.*, 719 F.3d 1305, 1311-1312 (Fed. Cir. 2013) (en banc). Indeed, the briefs in various decisions that refer simply to an "accounting" make clear that patentees were in fact commonly seeking damages in those cases. *E.g.*, Appellee Br. 12, *Union Shipbuilding Co.* v. *Boston Iron & Metal Co.*, No. 4,203 (4th Cir. Oct. 26, 1937) (patentee sought to force defendant "to account for large sums of money as profits or damages"); Appellee Br. 6, *Dock & Terminal Eng'g Co.* v. *Pennsylvania R.R.*, No. 5,757 (3d Cir. Dec. 6, 1935) ("claim for damages and profits").

Moreover, when courts were more specific about the types of monetary relief barred by the patentee's laches, there was no question that laches operated to bar recovery of *damages*. *E.g.*, *Mosler*, 209 F. at 371 (barring "accounting for damages and profits"); *Safety Car Heating & Lighting Co.* v. *Consolidated Car Heating Co.*, 174 F. 658, 662 (2d Cir. 1909) (per curiam) ("profits and damages"); *Woodmanse & Hewitt Mfg. Co.* v. *Williams*, 68 F. 489, 490 (6th Cir. 1895) ("an accounting as to damages and profits"); *Wheatley* v. *Rex-Hide, Inc.*, 25 F Supp. 543, 545 (N.D. Ill. 1938) (laches "bars his right to recover damages"); *Temco Mfg. Co.* v. *National Elec. Ticket Register Co.*, 33 F.2d 777, 778 (E.D. Mo. 1928) ("laches may preclude a judgment for damages"); *Yates* v. *Smith*, 271 F 27, 27 (D.N.J. 1920) ("accounting of profits and damages"); *Westinghouse Air Brake Co.* v. *New York Air Brake Co.*, 111 F. 741, 742 (N.D.N.Y. 1901) (complainant cannot "collect damages").

All of these decisions, after 1897, involved only claims not otherwise barred by the six-year outer limit for recovery Congress enacted that year—the predecessor to § 286. *Supra* pp. 4-5. In fact, courts expressly considered and rejected the argument that laches

should not operate as a defense within that period. In *Gillons*, for example, the patentee maintained that his delay had effectively *benefited* the infringer by giving it a free license for use of the invention outside the six-year window. 86 F.2d at 606-607. The Ninth Circuit rejected that argument and held that "injury [to the infringer] is presumed" after six years, as is true today. *Id.* at 608; *see also France Mfg. Co.* v. *Jefferson Elec. Co.*, 106 F.2d 605, 609 (6th Cir. 1939) ("relief may be denied on the ground of laches" after "delay in instituting suit, notwithstanding the statute of limitations"); *Dwight & Lloyd*, 27 F.2d at 827 (laches barred recovery for "even the earliest of the 6 years to which recovery is in any event limited"); *Window Glass Mach. Co.* v. *Pittsburgh Plate Glass Co.*, 46 F.2d 484, 485 (W.D. Pa. 1921) (similar), *aff'd*, 284 F. 645 (3d Cir. 1922).

2. Laches was also available as a defense in the rare patent actions brought at law

Only a handful of patent decisions before 1952 addressed laches as a defense at law because actions at law were rare and patent damages were predominantly awarded in equity. Even so, decisions at law also recognized laches as an available defense.

The leading case was *Ford* v *Huff*, 296 F. 652 (5th Cir. 1924), in which the patentee sued Henry Ford at law after more than fourteen years of delay—a period coinciding with Ford's massive success with the Model T, *see id.* at 654. Ford sought to plead laches as a defense under the procedures of Judicial Code § 274b, which permitted equitable defenses to be "interposed by answer" in an action at law, "without the necessity of filing a bill on the equity side of the court." Pub. L. No. 63-278, 38 Stat. 956, 956 (1915) (amending Judicial

Code § 274b).[9] The Fifth Circuit held that a defendant sued at law who filed "a bill in equity disclosing the state of facts alleged" by Ford would have been "entitled to prevent the enforcement of the claim" at law, as the "plaintiff's conduct had been such as to deprive him of the right to enforce that claim." 296 F. at 658. Accordingly, under Judicial Code § 274b, a defendant could raise the same laches defense directly, without needing to file a separate bill in equity to enjoin the action at law.

Ford involved claims for breach of a patent license, but subsequent decisions involving infringement claims at law were to the same effect. In *Banker* v. *Ford Motor Co.*, 69 F.2d 665, 666 (3d Cir. 1934), for example, the court noted that, "[h]ad the [patentee's] suit been in equity, the evidence would have been ample for holding that recovery was barred because of laches," and that the patentee could not avoid the consequences of his unreasonable delay by instead filing at law. *See id.* ("that contention is met by section 274b" (citing *Ford*)); *see also Universal Coin Lock Co.* v. *American Sanitary Lock Co.*, 104 F.2d 781, 781-783 (7th Cir. 1939) (laches, raised in action at law under Judicial Code § 274b, barred damages claims); *Mather* v. *Ford Motor Co.*, 40 F. Supp. 589, 593 (E.D. Mich. 1941) (same).

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[9] Previously, a defendant could raise an equitable defense to a legal claim only by filing a separate "bill in equity to enjoin the ... suit at law until the equitable defense was decided" in equity (*i.e.*, by the court, not a jury). *A.C. Aukerman Co.* v. *R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1031 n.10 (Fed. Cir. 1992) (en banc); *see* Pet. App. 27a, 30a-31a. The 1915 amendments preserved that same sequence: Equitable defenses pleaded under § 274b would "first be disposed of as in a court of equity," by the judge, with a subsequent jury trial only "if an issue of law remains." *Liberty Oil Co.* v. *Condon Nat'l Bank*, 260 U.S. 235, 242 (1922).

3. The consensus view of laches as a bar to damages persisted after the 1938 merger of law and equity

The judicial recognition of laches as a defense to stale patent infringement claims for damages continued unabated after the 1938 merger of law and equity in federal courts. *Lukens Steel Co.* v. *American Locomotive Co.*, 197 F.2d 939, 941 (2d Cir. 1952); *Brennan* v. *Hawley Prods. Co.*, 182 F.2d 945, 948 (7th Cir. 1950); *Rome Grader & Mach. Corp.* v. *J.D. Adams Mfg. Co.*, 135 F.2d 617, 619-620 (7th Cir. 1943); *Skinner* v. *Aluminum Co. of Am.*, 105 F. Supp. 635, 637 (W.D. Pa. 1952); *Young* v. *General Elec. Co.*, 96 F. Supp. 109, 139-140 (N.D. Ill. 1951); *Marlatt* v. *Mergenthaler Linotype Co.*, 70 F. Supp. 426, 432-434 (S.D. Cal. 1947); *Arrowood* v. *Symington-Gould Corp.*, 71 F. Supp. 693, 695-696 (S.D.N.Y. 1946); *Feinstein* v. *I.T.S. Co.*, 68 F. Supp. 15, 16 (N.D. Ohio 1946); *Seghers* v. *Gardella*, 55 F. Supp. 914, 915 (N.D. Ohio 1944); *Van Alen* v. *Aluminum Co. of Am.*, 43 F Supp. 833, 837-838 (S.D.N.Y. 1942); *Peerless Weighing & Vending Mach. Corp.* v. *International Ticket Scale Corp.*, 37 F. Supp. 582, 583 (D. Del. 1941), *aff'd on other grounds*, 126 F.2d 239 (3d Cir. 1942); *Reisz* v. *Harvey*, 33 F Supp. 192, 194 (N.D. Ohio 1940); *Delaney Patents Corp.* v. *Johns-Manville*, 29 F. Supp. 431, 436 (S.D. Cal. 1939). Other patent decisions continued to recognize laches in general, even while holding that it was not available on the particular facts presented. *E.g.*, *Chicago Pneumatic Tool Co.* v. *Hughes Tool Co.*, 192 F.2d 620, 625 (10th Cir. 1951); *Shaffer* v. *Rector Well Equip. Co.*, 155 F.2d 344, 345-347 (5th Cir. 1946).

4. SCA's attempt to rebut this judicial consensus fails

SCA does not seriously grapple with this long tradition of applying laches as a defense to damages claims. Instead, it focuses on criticizing the reasoning of the few pre-merger cases decided at law. That criticism is unfounded and, in any event, ultimately irrelevant to the question before this Court.

a. As an initial matter, SCA's attempts to distinguish the leading cases applying laches at law are misguided. SCA contends (at 42-43) that *Ford* was an estoppel case, but the decision was reasoned and decided on the basis of laches. 296 F. at 657 ("laches"), *rev'g* 289 F. 858, 874 (S.D. Fla. 1923) ("question of laches"). SCA is also wrong to suggest (at 43) that the *Ford* and *Banker* decisions were abrogated by *Enelow* v. *New York Life Insurance Co.*, 293 U.S. 379 (1935). Quite the opposite: *Enelow* cites the relevant portion of *Ford* approvingly. *Id.* at 383 (citing *Ford*, 296 F. at 658). More broadly, SCA misunderstands the question presented in *Enelow* and the import of that decision. *Enelow* held that fraud could not be raised as an equitable defense under Judicial Code § 274b in an insurance dispute at law because the same defense was "completely available in [an] action at law" and, therefore, should have been tried to a jury rather than decided by the court. *Id.* at 385. Under § 274b, the "defendant's rights to a hearing in equity are 'the same,' not greater." *Id.* at 383.

That holding does not speak to laches or patent law, nor does it call into question *Ford*, *Banker*, or the other decisions cited above. Raising laches as a defense under the Judicial Code did nothing to "change the substantive law" (Pet. Br. 43) because laches was already

available as a bar to recovering patent damages. Many other doctrines that originated in equity similarly came to be applied at law, especially in patent infringement cases—notably including equitable estoppel, inequitable conduct, unclean hands, prosecution laches, and the doctrine of equivalents. Beauchamp, 125 Yale L.J. at 913; *see, e.g.*, *Kirk* v. *Hamilton*, 102 U.S. 68, 78 (1880) (equitable estoppel); Laycock, *The Triumph of Equity*, 56 L. & Contemp. Probs. 53, 70-71 (Summer 1993) (additional examples).

Accordingly, as of the 1951 supplement to the Walker treatise, it was understood that in patent law, "'[l]aches ... may be interposed in an action at law.'" Pet. App. 33a (quoting 3 *Walker on Patents* 106 (Deller's ed., Supp. 1951)).

b. More importantly, even if there had not been a single case applying laches at law before the merger of law and equity, it would not affect the analysis. The tradition of applying laches as a defense *to patent damages* was well established through numerous other decisions in equity. *Supra* pp. 17-21 & n.8; Pet. App. 29a-33a; *see also A.C. Aukerman Co.* v. *R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1029 & n.6 (Fed. Cir. 1992) (en banc).

SCA tries to dismiss these cases by arguing (at 40) that "the Federal Circuit erred in failing to distinguish between the patent holder's right to collect damages and *its right to collect damages in a court of equity*." But SCA ignores the overwhelming predominance of equity during the relevant period.[10] For decades, pa-

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[10] SCA also incorrectly suggests (at 41 n.2) that a patentee whose damages claims were held to be barred by laches in a court of equity could simply re-file those same claims at law. That speculation is belied by the absence of a single reported example of

tent damages were awarded almost exclusively by courts of equity. The Federal Circuit properly considered these cases because they represented the actual historical practice with respect to damages in patent litigation.

SCA offers no reason to think Congress would have ignored that backdrop when codifying unenforceability defenses in 1952. Indeed, when Congress wanted to make changes that affected patent damages between 1870 and 1952—including to add the six-year damages period and to expressly codify the type of "reasonable royalty" damages SCA seeks in this case—it exclusively amended the equity side of the statute. *Supra* pp. 4-5. In concept and in practice, patent damages were damages in equity.

Furthermore, SCA disregards the cases applying laches *after* the 1938 merger of law and equity. Had any distinction remained between the laches defense applicable to patent damages as a legal or equitable remedy, courts would have begun rejecting the defense following the merger. Instead, courts continued applying laches to damages just as before. *Supra* p. 23. Thus, by the time Congress codified the case law in 1952, it was well established that laches was a defense to damages in all cases, not just cases in equity.

c. As the en banc majority noted below, SCA and its amici have never identified "a single appellate-level patent infringement case stating—much less holding—that laches is inapplicable to legal damages." Pet. App. 33a. SCA tacitly acknowledges that point by relying principally (at 43-44) on two cases from a single district

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any patentee ever doing so, despite numerous decisions barring patent damages due to laches before the 1938 merger.

court, *Thorpe* v. *Wm. Filene's Sons Co.*, 40 F.2d 269 (D. Mass. 1930), and *City of Concord* v. *Norton*, 16 F. 477 (C.C.D. Mass. 1883). Those outliers were not subject to appellate review and were contrary to the great weight of authority. The sole circuit decision SCA identifies likewise did not consider established precedent and ultimately concluded only that "the elements of laches were not proven in that case," which involved a delay of only two years. Pet. App. 32a n.9; *see Middleton* v. *Wiley*, 195 F.2d 844, 847 (8th Cir. 1952) ("There is no basis in this case for applying the doctrine of laches.").

SCA's argument is premised on supposed "historic practice" and "longstanding principles" of the common law. Pet. Br. 37, 38. However, the decisions cited above applying laches to bar damages reflect the views of scores of judges and lawyers actually steeped in and familiar with common law traditions and procedures. The dearth of any historical support for SCA's view is dispositive here.

SCA seeks to sidestep that fact by relying instead (at 39-40) on this Court's decisions reciting the general proposition that laches was not traditionally a defense at law. *See, e.g.*, *United States* v. *Mack*, 295 U.S. 480, 489 (1935) (dicta); *Wehrman* v. *Conklin*, 155 U.S. 314, 326 (1894) (dicta). None of those decisions addressed patent law. Congress channeled nearly all patent litigation into the equity side of the federal courts, and courts responded by applying laches as a bar to enforcing stale demands for infringement damages. That is the relevant backdrop for the 1952 Act.

B. The Text, Purpose, And History Of The 1952 Act Demonstrate That Congress Intended To Preserve Laches As A Defense To Damages

In keeping with decades of patent precedent, Congress codified laches as a defense to patent damages in § 282 of the Patent Act of 1952. Pet. App. 18a. Specifically, the 1952 Act preserved laches as a defense "in any action" under the general category of "unenforceability" defenses. Pub. L. No. 82-593, § 282, 66 Stat. 792, 812 (1952); *see supra* p. 6.

1. Congress codified existing "unenforceability" defenses in § 282. At the time, laches was widely understood as such a defense. *E.g.*, *United States* v. *New Orleans Pac. Ry. Co.*, 248 U.S. 507, 511 (1919) (agreement was "unenforceable by reason of inexcusable laches"); *Galliher* v. *Cadwell*, 145 U.S. 368, 373 (1892) (laches is "a question of the inequity of permitting the claim to be enforced"). In particular, courts routinely found patents "unenforceable" or declined to "enforce" an otherwise valid and infringed patent due to laches. *E.g.*, *Brennan*, 182 F.2d at 948 ("inequitable to allow plaintiff to enforce his claim for infringement"); *Banker* v. *Ford Motor Co.*, 3 F. Supp. 737, 742 (W.D. Pa. 1933) (laches "'has the effect of barring, or rendering unenforceable against a defendant in a suit, the claim asserted by the plaintiff therein'").[11]

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[11] *See also, e.g.*, *Union Shipbuilding*, 93 F.2d at 781; *Gillons*, 86 F.2d at 610; *Richardson*, 93 F. at 830; *Triplex Safety Glass Co. of N. Am.* v. *Kolb*, 53 F.2d 1062, 1065 (E.D. Pa. 1931); *Marlatt*, 70 F. Supp. at 433; *cf. Wollensak* v. *Reiher*, 115 U.S. 96, 99 (1885) (laches in prosecuting re-issued patent bars patentee "from enforcing it"); *Ball* v. *Gibbs*, 118 F.2d 958, 961 (8th Cir. 1941) (non-patent case describing laches as rendering claims "unenforceable"); *Todd* v. *Russell*, 104 F.2d 169, 175 (2d Cir. 1939) (similar), *aff'd*, 309 U.S. 280 (1940). The same terminology is still used: A patent is "unen-

When "Congress uses terms that have accumulated settled meaning," Congress presumably "means to incorporate the established meaning of these terms." *Neder* v. *United States*, 527 U.S. 1, 21 (1999) (internal quotation marks omitted). Indeed, this Court has applied that well-established rule of construction to other terms in *the very same section of the 1952 Act*, holding in *i4i* that Congress incorporated into § 282 the pre-1952 standard of proof for overcoming a patent's presumption of validity. 564 U.S. at 104. By using terms already freighted with judicial meaning, Congress "meant to incorporate 'the cluster of ideas' attached" to those terms. *Id.* at 103.

That this Court did not have an occasion to address the availability of laches as a defense to damages claims in patent law does not alter the presumption (or reality) that Congress intended to codify the existing circuit-court consensus. Congress would have looked to the patent decisions when codifying patent defenses in the Patent Act, not to the unrelated decisions that SCA cites (at 39-40). The Court has often concluded in other contexts that Congress intended to codify a consensus among the courts of appeals. *E.g.*, *United States* v. *Hayes*, 555 U.S. 415, 424-425 (2009); *Bragdon* v. *Abbott*, 524 U.S. 624, 644-645 (1998); *Cannon* v. *University of Chi.*, 441 U.S. 677, 696-698 (1979).

Congress underscored its intent by making unenforceability defenses, such as laches, available "in *any* action" under § 282—not simply as a bar to equitable relief. 66 Stat. at 812 (emphasis added). "Read naturally, the word 'any' has an expansive meaning[.]" *United*

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forceable due to laches" after unreasonable, prejudicial delay. *Ultimax Cement Mfg. Corp.* v. *CTS Cement Mfg. Corp.*, 587 F.3d 1339, 1348 (Fed. Cir. 2009).

States v. *Gonzalez*, 520 U.S. 1, 5 (1997); *see, e.g.*, *Ali* v. *Federal Bureau of Prisons*, 552 U.S. 214, 220 (2008) ("Congress' use of 'any' to modify 'other law enforcement officer' is most naturally read to mean law enforcement officers of whatever kind."). Had Congress wished to make a sharp departure from pre-1952 law and to limit laches and other unenforceability defenses to equitable relief, it would have said so.

SCA's contrary reading of the text (at 34-36) is untenable. It is true that § 282 "makes no mention of laches." Pet. Br. 34. It also makes no mention of other unenforceability defenses that are well established, such as inequitable conduct/unclean hands, equitable estoppel, and patent exhaustion. That is because Congress chose to use a broader term ("unenforceability") that encompassed both laches and other recognized defenses. Under established principles of statutory construction, Congress need not spell out the term "laches" to codify it when using other, broader terms. In fact, the Court rejected the same argument in *i4i* with respect to the same section of the 1952 Act. 564 U.S. at 100-101 (observing that § 282 contains "no express articulation of the standard of proof," but also that the "statutory inquiry ... cannot simply end there").

2. The history of the 1952 Act confirms that Congress intended to preserve the status quo by codifying existing "unenforceability" defenses and permitting them to bar damages. The prior statute had contained a list of five defenses, but an exhaustive catalog of all defenses was impractical. *Supra* p. 6; *see also, e.g.*, Hoar, *Patent Tactics and Law* 228 (3d ed. 1950) ("express enumeration" of five defenses "does not preclude any other sufficient ground," including "laches"). In § 282, Congress replaced the prior list with "a broader paragraph specifying defenses in general terms." H.R.

Rep. No. 82-1923, at 29 (1952). Both the House and Senate Reports confirm that Congress's purpose was to restate existing defenses "in general terms," without "materially changing the substance" of any defense. *Id.* at 10; S. Rep. No. 82-1979, at 9 (1952). SCA's observation (at 34-35) that the prior list of five defenses did not include laches misses the point of these reforms. The prior list was incomplete, and Congress broadened it in § 282 by using categorical terms.

The drafting history also speaks directly to the codification of unenforceability defenses to damages claims. When the House passed what would become the 1952 Act, the bill omitted the term "unenforceability." H.R. 7794, 82d Cong. § 282 (May 12, 1952). That term was added by the Senate Judiciary Committee. H.R. 7794, 82d Cong. § 282 (June 27, 1952). Senator McCarran explained that the purpose of the amendment—one of only four the Senate made—was to "place in the code this word which has been used in numerous court decisions under the section in question." 98 Cong. Rec. 9323, 9323 (1952). The "numerous court decisions" Congress intended to capture include the laches decisions catalogued above.

When the Senate inserted the word "unenforceability" into § 282, it also made a corresponding amendment to the *damages* provision, § 284. The prior bill had provided that damages would be available "[u]pon adjudging a patent valid and infringed." H.R. 7794, 82d Cong. § 284 (May 12, 1952). The Senate amended § 284 so that damages would be available "[u]pon finding for the claimant." H.R. 7794, 82d Cong. § 284 (June 27, 1952). As explained by Senator McCarran, the change was necessary to make clear that damages are *not* available if the patent is unenforceable (even if it is valid and infringed). 98 Cong. Rec. at 9323 ("The change

in language proposed in committee amendment No. 4 is for the purpose of avoiding a possible construction that judgment must be entered by a court even in a case where a patent is found unenforceable."). He emphasized that "[t]his will preserve the present rule of law in this regard." *Id.* Such a change would have been superfluous if laches and other equitable grounds for finding a patent unenforceable could not bar damages.

3. The overall purpose of the 1952 Act supports Congress's intent to retain the existing laches defense, which barred damages. The Act was intended to codify existing law, except where departures were clearly noted. H.R. Rep. No. 82-1923, at 3; *supra* p. 6. This Court has accordingly construed the Act on several occasions to preserve pre-1952 patent law as Congress found it. *E.g.*, *i4i*, 564 U.S. at 103-105 (clear-and-convincing standard for proving invalidity); *Warner-Jenkinson Co.* v. *Hilton Davis Chem. Co.*, 520 U.S. 17, 26-27 (1997) (doctrine of equivalents); *Diamond* v. *Chakrabarty*, 447 U.S. 303, 309 (1980) (non-patentability of abstract ideas). The same result is warranted here. Reading the 1952 Act to sweep away, surreptitiously, decades of judicial recognition of laches as a defense to damages in patent law would contravene a basic purpose of the Act.

4. Congress's intent to preserve laches was perceived immediately, as demonstrated in a widely cited commentary on the 1952 Act by P.J. Federico. The commentary explained that "unenforceability" was "added by amendment in the Senate for greater clarity," and that, as amended, the defenses in § 282 "would include ... *equitable defenses such as laches*, estoppel and unclean hands." Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1, 55 (West 1954) (empha-

sis added), *reprinted in* 75 J. Pat. & Trademark Off. Soc'y 161, 215 (1993).

SCA's attacks on this commentary (at 44-45) are misplaced. Federico, then serving as Examiner-in-Chief of the Patent Office, was a "principal draftsman of the 1952 recodification." *Diamond*, 447 U.S. at 309 n.6. He "wrote the first draft of the Act himself," at the request of legislators, and "actively participated for the next two years in every detail of its revisions." *Paulik* v. *Rizkalla*, 760 F.2d 1270, 1277 (Fed. Cir. 1985) (Rich, J., concurring). For that reason, his views on the Patent Act are an important source of guidance that this Court itself has consulted, as have numerous other courts. *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 342 n.8 (1961); *Warner-Jenkinson*, 520 U.S. at 28; *see* Pet. App. 21a (collecting cases).

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In sum, the signals from Congress and the case law are **clear and all point in the same direction. Laches** had **been available to bar stale demands for damages** in patent law for decades before 1952, and Congress preserved that status quo.

C. Since 1952, Congress Has Altered The Patent Act Repeatedly Without Disturbing Laches

Developments in the courts and Congress since 1952 only confirm that laches is a defense to claims for damages in patent infringement cases. Every court of appeals to consider the question has held that laches is available as a defense to damages, notwithstanding the six-year period in § 286. Congress revisited and altered the Patent Act numerous times during that period without ever disagreeing. "Congress can legislate"

laches "out of existence any time it chooses," *Warner-Jenkinson*, 520 U.S. at 28, but it has not done so.

1. SCA implies (at 18, 39) that recognition of laches as a defense to damages claims is "unique" to the Federal Circuit and thus represents merely "a controversial practice of the bare majority of a single lower court." That is demonstrably false.

In the decades after 1952, "[w]ithout exception, all circuits recognized laches as a defense to a charge of patent infringement despite the reenactment of the damages limitation in the 1952 statute." *Aukerman*, 960 F.2d at 1030; *see, e.g., Potter Instrument Co.* v. *Storage Tech. Corp.*, 641 F.2d 190, 191 (4th Cir. 1981) ("laches defense 'may be invoked where the plaintiff has unreasonably and inexcusably delayed in prosecuting its rights and where that delay has resulted in material prejudice to the defendant'"); *Studiengesellschaft Kohle mbH* v. *Eastman Kodak Co.*, 616 F.2d 1315, 1325 (5th Cir. 1980) (consequence of laches is "to withhold damages for infringement which occurred prior to the filing of the suit"); *American Home Prods. Corp.* v. *Lockwood Mfg. Co.*, 483 F.2d 1120, 1122-1125 (6th Cir. 1973) ("the doctrine of laches is applicable to patent cases"); *Continental Coatings Corp.* v. *Metco, Inc.*, 464 F.2d 1375, 1379 (7th Cir. 1972) (Stevens, J.) (patentee "lost the right to recover damages for past infringement," by "reason of laches").[12] All those courts recog-

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[12] *See also Carpet Seaming Tape Licensing Corp.* v. *Best Seam Inc.*, 694 F.2d 570, 580 (9th Cir. 1982); *Naxon Telesign Corp.* v. *Bunker Ramo Corp.*, 686 F.2d 1258, 1263 (7th Cir. 1982); *Jensen* v. *Western Irrigation & Mfg., Inc.*, 650 F.2d 165, 168 (9th Cir. 1980); *Watkins* v. *Northwestern Ohio Tractor Pullers Ass'n*, 630 F.2d 1155, 1159 (6th Cir. 1980); *Minnesota Mining & Mfg. Co.* v. *Berwick Indus., Inc.*, 532 F.2d 330, 334 (3d Cir. 1976); *Baker Mfg. Co.* v. *Whitewater Mfg. Co.*, 430 F.2d 1008, 1009-1010, 1015 (7th

nized laches as a defense within the six-year damages period in § 286, as *Aukerman* explained. *See, e.g.*, *TWM Mfg. Co.* v. *Dura Corp.*, 592 F.2d 346, 348-349 (6th Cir. 1979).

SCA and its amici entirely neglect to mention, let alone address, these post-1952 decisions. This is not a case about simply "the Federal Circuit's practice" (Pet. Br. 38), but rather about the practice of every circuit to consider the question, before and after 1952.

2. Congress has allowed this uniform recognition of laches as a defense to patent infringement damages to stand for decades, even while it "has often amended § 282" and other provisions of the Patent Act. *Id.*, 564 U.S. at 113. Those numerous amendments include careful recalibrations of the defenses available under the statute. *See, e.g.*, Drug Price Competition and Patent Term Restoration Act of 1984, Pub. L. No. 98-417, § 203, 98 Stat. 1585, 1603 (adding new invalidity defense). Indeed, in the recent Leahy-Smith America Invents Act—the most significant reworking of patent law since the 1952 Act—Congress reorganized § 282 into separate subsections and eliminated another defense the statute had previously permitted. Pub. L. No. 112-29, § 15(a), 125 Stat. 284, 328 (2011) (abolishing the "best mode" defense). Yet Congress reenacted, without change, the "unenforceability" language that had been repeatedly held to codify laches as a defense to damages. *Id.* § 20(g)(2)(B), 125 Stat. at 334.

Cir. 1970); *Whitman* v. *Walt Disney Prods., Inc.*, 263 F.2d 229, 231-232 (9th Cir. 1958); *Smith* v. *Sinclair Ref. Co.*, 257 F.2d 328, 329-330 (2d Cir. 1958); *Potash Co. of Am.* v. *International Minerals & Chem. Corp.*, 213 F.2d 153, 154-156 (10th Cir. 1954).

The reenactment of this statutory language and the long history of congressional attention to the patent laws, while leaving laches intact, would independently warrant the conclusion that Congress intended to permit laches as a defense, even if Congress had not already done so in the 1952 Act itself. *E.g.*, *North Star Steel Co.* v. *Thomas*, 515 U.S. 29, 34 (1995) (presumption that Congress is aware of relevant precedents and "'expect[s] its enactment[s] to be interpreted in conformity with them'"); *Lindahl* v. *OPM*, 470 U.S. 768, 782 (1985) ("presumption that Congress intended to embody [prior judicial construction] in the amended version" of statute). For that reason, this case is quite unlike the "congressional silence" decisions on which SCA relies (at 38-39). Congress made various adjustments over the years, but declined to make the one SCA advocates.

Now that Congress "has allowed the Federal Circuit's correct interpretation of § 282 to stand" for more than thirty years, "[a]ny re-calibration" of laches should be left to Congress, which is better situated to weigh the policy consequences of such a change. *id.*, 564 U.S. at 114; *accord Kimble* v. *Marvel Entm't, LLC*, 135 S. Ct. 2401, 2410-2411 (2015) (noting Congress's "continual reworking of the patent laws," and expressing particular reluctance to "unsettle stable law" in this area).

II. SCA MISREADS *PETRELLA* AND MISCONSTRUES § 286 OF THE PATENT ACT

The Court's decision in *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), is consistent with and supports retaining laches as a defense alongside the six-year period in 35 U.S.C. § 286. *Petrella* rests at bottom on respecting congressional intent, and it is clear that Congress intended to retain laches as a de-

fense to damages under the Patent Act. Preserving the status quo is thus entirely faithful to *Petrella*, as well as to the text and purpose of § 286. Congress had good reason to authorize laches in patent law but not copyright law, given the substantial differences between the two, and that legislative judgment should be respected.

A. *Petrella*'s Concern For Respecting Legislative Intent Supports Retaining Laches Here

In *Petrella*, the Court began with the text of the Copyright Act, which contains a conventional statute of limitations (unlike the Patent Act, *see infra* pp. 40-42): "The Copyright Act provides that '[n]o civil action shall be maintained under the [Act] unless it is commenced within three years after the claim accrued.'" 134 S. Ct. at 1967 (quoting 17 U.S.C. § 507(b)). It then noted several additional "aspects of copyright law" bearing on the question presented, including the long copyright term, currently from creation to seventy years after the author's death, and renewal rights that transfer to an author's heirs. *Id.* at 1968-1969. The Court further explained that, "[t]o comprehend how the Copyright Act's limitations period works, one must understand when a copyright infringement claim accrues," and proceeded to review the "separate-accrual rule" that applies in copyright law. *Id.* at 1969. Under that rule, the three-year limitations period is applied by "start[ing] a new limitations period" and counting forward three years for "each infringing act." *Id.*

Those provisions together persuaded the Court that Congress had already "take[n] account of delay" in 17 U.S.C. § 507(b) and had impliedly foreclosed any laches defense within that three-year period. 134 S. Ct. at 1973. Congress "must have been aware," given the long copyright term and inheritance of renewal rights,

that infringement actions would arise from time to time decades after the initial infringing acts, but it tolerated that problem to advance other aims specific to copyright law. *Id.* at 1976-1977. Other provisions of the Copyright Act confirmed as much—in particular, the ability of an infringer to deduct, from a damages award, expenses "attributable to its own enterprise." *Id.* at 1973 (discussing 17 U.S.C. § 504(b)). "Last, but hardly least," the Court noted that laches was historically "developed by courts of equity" and applied to "claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Id.*

The historical view of laches as "gap-filling" in equity, in the absence of a limitations period, was thus merely one consideration among many the Court cited. 134 S. Ct. at 1974. SCA suggests (at 25) that *Petrella* merely applied a "well-established rule" that laches is unavailable whenever Congress enacts "a statute of limitations provision applicable to legal damages claims." If that were true, much of *Petrella*'s discussion of various features of the Copyright Act would have been superfluous.

Instead, *Petrella* rests on careful attention to the statutory text and history of the Copyright Act and a concern that courts not disregard the judgments Congress made in that Act. The same tools of statutory construction favor retaining laches as a defense to damages under the Patent Act. Pet. App. 35a-36a. As set forth above, the text, history, and purpose of the Patent Act of 1952 all demonstrate that Congress intended to preserve the pre-1952 status quo—including the availability of laches as an unenforceability defense

barring damages within the six-year period in § 286.[13] *Petrella*'s animating concern for respecting the will of Congress thus counsels a different result in this case under the Patent Act.

Congress's decision to permit laches as a defense to damages under the Patent Act is hardly "unique." Pet. Br. 33. *Petrella* itself noted that the Lanham Act provides for laches as a defense, though it does not contain a limitations period. 134 S. Ct. at 1974 n.15. Moreover, although *Petrella* observed that the Court has "never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period," *id.* at 1975, the cases it discusses recognize a degree of flexibility inconsistent with the ironclad rule SCA proposes.

In *National Railroad Passenger Corp.* v. *Morgan*, 536 U.S. 101, 121-122 (2002), for example, the Court held that an employer may raise laches as a defense to bar an employment discrimination claim for damages

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[13] Nothing comparable could be said for the Copyright Act. While Congress at one point permitted courts of equity to award damages for copyright infringement, Pub. L. No. 60-349, §§ 26-27, 35 Stat. 1075, 1082 (1909), copyright law did not follow the same trajectory as patent law, which presumably explains why no party or amicus brought those provisions to the attention of the Court in *Petrella*. Patent law had many more laches cases, which allowed a robust consensus to emerge regarding the application of laches to damages claims. Nor is there any statutory basis to conclude that Congress codified laches or general "unenforceability" defenses in the Copyright Act, as it did in the Patent Act. The respondents in *Petrella* relied instead on the putative "inherent" power of federal courts to entertain a laches defense. Resp. Br. 15, No. 12-1315 (U.S. Dec. 16, 2013). Finally, in contrast to the century of consensus among courts of appeals regarding the role of laches in patent law, the circuits had divided before *Petrella* about the availability of laches under the Copyright Act. 134 S. Ct. at 1972 n.12.

under Title VII of the Civil Rights Act, when the claim is based on a hostile work environment beginning before the limitations period. *See also Ledbetter* v. *Goodyear Tire & Rubber Co.*, 550 U.S. 618, 657 (2007) (Ginsburg, J., dissenting) (the "defense of laches may be invoked to block an employee's suit"). In *Bay Area Laundry & Dry Cleaning Pension Trust Fund* v. *Ferbar Corp. of Cal.*, 522 U.S. 192, 205 (1997), the Court recognized laches as a defense in proceedings under the Multiemployer Pension Plan Amendments Act, despite Congress having required such proceedings to be initiated "'as soon as practicable.'"[14]

B. Congress Had Good Reason For A Different Approach To Laches In Patent Law

Several other distinctive features of patent law and the Patent Act—including § 286 itself—confirm that Congress did not impliedly foreclose a laches defense in the 1952 Patent Act. Indeed, the numerous differences between patent law and copyright law help explain why Congress chose to retain laches as a defense to damages under one but not the other.

1. Section 286 is not a statute of limitations and does not measure a patentee's delay

The six-year period in § 286 of the Patent Act is unlike the Copyright Act's statute of limitations, 17 U.S.C. § 507(b), in ways that bear directly on the reasoning and rationale of *Petrella*. As an initial matter,

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[14] The Court has also long recognized laches as a defense in suits for mandamus—historically a form of legal relief, available by writ from a court of law. *Cheney* v. *United States Dist. Court for D.C.*, 542 U.S. 367, 379 (2004) (laches may "bar a petition for a writ of mandamus"); *United States ex rel. Arant* v. *Lane*, 249 U.S. 367, 371 (1919) (laches in mandamus action for wrongful discharge).

§ 286 is not properly considered a statute of limitations at all. As the Court has explained, a statute of limitations "establish[es] the period of time within which a claimant must bring an action," measured from the time "the cause of action 'accrues'—that is, when 'the plaintiff can file suit and obtain relief.'" *Heimeshoff* v. *Hartford Life & Acc. Ins. Co.*, 134 S. Ct. 604, 610 (2013); *accord Beach* v. *Ocwen Fed. Bank*, 523 U.S. 410, 416 (1998). Congress enacts a statute of limitations when it wishes to "require plaintiffs to pursue 'diligent prosecution of known claims.'" *CTS Corp.* v. *Waldburger*, 134 S. Ct. 2175, 2183 (2014).

Section 286 of the Patent Act does not operate that way. Unlike a statute of limitations, which runs forward from the date a cause of action *accrues*, § 286 runs backward from the time of suit: "Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years *prior to the filing of the complaint or counterclaim for infringement* in the action." (Emphasis added); *see Aukerman*, 960 F.2d at 1032.[15] For that reason, the Federal Circuit has repeatedly recognized that § 286 is not a statute of limitations, *e.g.*, *A. Stucki Co.* v. *Buckeye Steel Castings Co.*, 963 F.2d 360, 363 n.3 (Fed. Cir. 1992); *Standard Oil Co.* v. *Nippon Shokubai Kagaku Kogyo Co.*, 754 F.2d 345, 347-348 (Fed. Cir. 1985), although the court

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[15] SCA observes (at 8, 22-23) that the legislative history of § 286 refers to it as a "statute of limitations," but that is hardly dispositive. Both Congress and the courts sometimes use the term "statute of limitations" in a generic sense. *See, e.g.*, *CTS*, 134 S. Ct. at 2185 ("Congress has used the term 'statute of limitations' when enacting statutes of repose."); *Federal Hous. Fin. Agency* v. *UBS Ams. Inc.*, 712 F.3d 136, 143 & nn.3-4 (2d Cir. 2013) (collecting examples).

failed to appreciate the significance of that distinction for this case (Pet. App. 17a-18a).

The distinction is important. *Petrella* rests in part on an inference of congressional intent specific to a true statute of limitations: When Congress enacts such a statute, it can be viewed as having made a considered judgment about how much delay may occur after a plaintiff knows of a cause of action (*i.e.*, after accrual) before the plaintiff must bring suit—thus potentially leaving no room for judges to evaluate the reasonableness of a plaintiff's delay on a case-by-case basis under laches. 134 S. Ct. at 1973. The same certainly cannot be said for § 286, which was not intended to measure the patentee's delay after accrual. Rather, like a statute of repose, § 286 turns only on when the infringer is sued, regardless of when the patentee learned of the infringement. *See CTS*, 134 S. Ct. at 2183 (statutes of repose reflect a different "legislative judgment," serve "a distinct purpose," and "target[] ... a different actor"). Congress thus left ample room for laches to play a gap-filling role under § 282, as it had done for decades before the 1952 Act alongside the predecessor to § 286.

2. SCA's other textual arguments premised on § 286 are unfounded

Attempting to stretch *Petrella* to cover this case, SCA makes various other arguments about what Congress intended by enacting § 286, but none justifies abolishing laches.

To start, notwithstanding SCA's persistent effort to pretend otherwise, the "text" or "plain meaning" of § 286 does not address the question presented. Pet. Br. 20-25. Section 286 says nothing at all about laches or other unenforceability defenses within the six-year pe-

riod contemplated by the statute.[16] Nor does § 286 provide an affirmative guarantee that a patentee may always recover damages for the preceding six years. By its terms, § 286 is merely a limitation on recovery: "no recovery shall be had" for any infringement outside the six-year window. The statute also contemplates recovery only "[e]xcept as otherwise provided by law," anticipating that a patentee's ability to recover damages would be affected by other provisions, such as a failure to mark, § 287, or a finding that the patent is invalid or unenforceable, § 282—a reading confirmed by the legislative history of the damages provision, § 284. *See supra* pp. 31-32. The three-year statute of limitations in the Copyright Act contains no comparable language.

SCA's reliance on the "purpose" of § 286 is similarly misplaced. Pet. Br. 29-30, 46. Congress enacted the six-year damages window to provide a uniform federal time period, rather than borrowing potentially discrepant state-law periods. But that purpose is equally well served by retaining laches as a defense under § 282. *POM Wonderful LLC* v. *Coca-Cola Co.*, 134 S. Ct. 2228, 2239 (2014) ("variation in outcome" resulting from case-by-case application of a federal standard "is quite different from the disuniformity" arising from a "multitude of state laws"). Moreover, the same outer boundary for recovery of damages applies in all cases. Applying laches within that period does not "carve[] out an exception," create a "unique hybrid statute of limitations/laches test," or "delegate [the] power to abridge section 286." Pet. Br. 19, 33, 34. Laches has distinct

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[16] For that reason, the canon of construction favoring the specific over the general (Pet. Br. 35-36) has no application here. The text of § 286 does not address laches at all, let alone more specifically than § 282.

elements and does not depend merely on the passage of time.

The separate-accrual rule is also not offended by applying laches to bar damages claims within § 286's six-year period. Pet. Br. 26-28. Applying laches is not inconsistent with the broader principle of treating each act of making, using, or selling the invention as a separate act of infringement. This Court has, for example, applied laches to bar enforcement of a patent notwithstanding that principle, without examining each infringing act individually. *Lane & Bodley Co.* v. *Locke*, 150 U.S. 193, 201 (1893); *see also Menendez* v. *Holt*, 128 U.S. 514, 524 (1888) (trademark). The many decisions collected above likewise applied laches as a single defense with respect to infringing acts of the same general nature—just as continuing torts are treated as single claims in other contexts, like claim preclusion. *Aukerman*, 960 F.2d at 1031.

Finally, SCA's reading of § 286 is not bolstered by 35 U.S.C. § 283, which authorizes courts to "grant injunctions in accordance with the principles of equity." SCA argues (at 23) that § 283's express reference to "principles of equity" forecloses application of equitable doctrines under any other provision of the Patent Act. But accepting that argument—one that SCA never developed below—would upend many other settled equitable doctrines in patent law. *Supra* pp. 4, 25.

3. SCA ignores numerous other distinctions between patent and copyright law

The Patent Act lacks all of the distinctive features of the Copyright Act that the Court considered and relied on in *Petrella*. As noted, the Patent Act does not have a true statute of limitations. It also contains no

provision for reversionary renewal rights, and the patent term is considerably shorter (currently, twenty years) than the copyright term—thus undercutting any inference comparable to the one drawn in *Petrella* that Congress "must have been aware" that some infringement actions would be brought after long delay. 134 S. Ct. at 1976; *see* 35 U.S.C. § 154(a)(2) (patent term); *supra* pp. 37-38. Congress also did not provide any mechanism for a patent infringer to deduct its expenses from a damages award in the same way that occurs in copyright law. Numerous other distinctions between patent and copyright also help explain why Congress chose to authorize laches in one context but not the other.

First, as the court of appeals explained, Congress chose to impose liability under the Patent Act, but not the Copyright Act, even for "innocent" infringement. Pet. App. 37a-38a. A copyright plaintiff must demonstrate that the accused infringer had access to and copied the plaintiff's work. *See, e.g.*, *Feist Publ'ns, Inc.* v. *Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). Independent creation of a work is a complete defense in copyright. 3 *Nimmer on Copyright* § 12.11[D][1] (2015). Not so in patent law: Making, using, or selling the patented invention constitutes direct infringement even if the infringer is unaware that the patent exists. *See Global-Tech Appliances, Inc.* v. *SEB S.A.*, 563 U.S. 754, 761 n.2 (2011) ("[A] direct infringer's knowledge or intent is irrelevant.").

Laches plays a critical role in preventing patentees from unfairly taking advantage of such innocent infringement. Had Congress not retained laches as a defense, nothing would stop a patentee from sitting silently on its rights while an innocent infringer invests substantial time and resources to develop and commercialize a product independently, "only to have [the] patent-

ee emerge six years later to seek the most profitable six years of revenues." Pet. App. 38a.

SCA contends (at 49-50) that Congress addressed this problem with the marking requirement, 35 U.S.C. § 287, but that is mistaken. Section 287, which requires a patentee to mark its own products with the patent number, provides only a limited form of constructive notice to potential infringers. The requirement does not apply if there is no product to mark—*e.g.*, because the patentee does not produce anything, *Texas Digital Sys., Inc.* v. *Telegenix, Inc.*, 308 F.3d 1193, 1219-1220 (Fed. Cir. 2002), or the patent covers a method or process, *Bandag, Inc.* v. *Gerrard Tire Co.*, 704 F.2d 1578, 1581 (Fed. Cir. 1983). Moreover, even a defendant aware of a patent via marking may be unaware of potential infringement. As SCA's amicus explains, determining whether a patent is infringed requires a complex "technical evaluation" and "prolonged analysis" of the patent specification, claims, and art—unlike copyright infringement. Alliance of Inventor Groups Br. 15.[17] Marking indicating that a patentee thinks its *own* product practices its own patent is a far cry from notice that a potential *defendant's* product infringes. The limited notice provided by § 287 thus cannot take the place of laches in protecting innocent infringers from unfair delay.

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[17] For similar reasons, even when a potential defendant is sent a notice letter, the possibility of a declaratory judgment action (Pet. Br. 50) does not prevent a patentee from unfairly lying in wait. Many "high tech" businesses "receive demand letters every day" asserting infringement, and it is "often impractical for companies to determine which claims have merit," let alone seek declaratory relief from all of them. Pet. App. 38a.

Second, patent law is subject to endemic "lock-in" problems not found in copyright law. Competing technologies are often close substitutes, and an innovative business might incorporate any one of them into a product ex ante. However, having chosen one and built a product around it, the business becomes locked into using the technology, and substitution of an alternative is difficult ex post—especially if the technology is incorporated into an industry-wide standard, requires regulatory approval, or is capital-intensive. *E.g.*, *Broadcom Corp.* v. *Qualcomm Inc.*, 501 F.3d 297, 310 (3d Cir. 2007) ("Industry participants who have invested significant resources developing products and technologies that conform to the [industry] standard will find it prohibitively expensive to abandon their investment and switch to another standard."); Lee & Melamed, *Breaking the Vicious Cycle of Patent Damages*, 101 Cornell L. Rev. 385, 409-410 (2016) (discussing lock-in costs). The prospect of such "lock-in" gives unscrupulous patentees a significant incentive to wait to bring suit until an accused infringer has "'lost the meaningful ability to choose between alternative technologies,'" greatly magnifying potential infringement damages beyond the patent's actual value. Pet. App. 38a; *see Broadcom*, 501 F.3d at 310; Lee & Melamed, 101 Cornell L. Rev. at 410-411. Laches serves, in part, to prevent such unfair gamesmanship, and abolishing the defense will only exacerbate abusive litigation tactics.

Indeed, that is precisely what happened here. Because of SCA's delay, First Quality was foreclosed from pursuing different business strategies to avoid the allegedly infringing products, which would have been available had SCA timely asserted its infringement claims. *See* Pet. App. 109a ("First Quality would not have invested millions of dollars in acquiring and re-

tooling [one of its facilities] if it was embroiled in a lawsuit with SCA relating to [the allegedly infringing] products."); *id.* ("First Quality could have either demanded that Covidien resolve all issues with respect to SCA's claims prior to" First Quality's acquisition of Covidien's subsidiary, or forgone "purchase of the product lines accused of infringement.").

Third, the consequences of delay are asymmetrically harmful to the defendant in patent law, unlike copyright law. As *Petrella* explained, delay in bringing suit for copyright infringement "is at least as likely" to prejudice the plaintiff, who bears the burden of proving copying—*i.e.*, access to the work and substantial similarity. 134 S. Ct. at 1977. In contrast, because direct patent infringement is a strict liability offense, the passage of time is less likely to prejudice the patentee's ability to prove its infringement case. Delay can have a devastating effect, however, on the ability of the accused infringer to mount the defenses Congress provided under the Patent Act—for example, by depriving the defendant of evidence needed to prove that a patent is invalid because the invention it describes was already in public use or for sale before the relevant date, 35 U.S.C. § 102(a). *See* Electronic Frontier Foundation Br. 5-11 (additional examples).

Fourth, infringement can have very different effects on the value of the plaintiff's intellectual property in copyright law versus patent law. A copyright confers the exclusive right to authorize derivative works, 17 U.S.C. § 106(2), which can complement and increase sales of the original—as, for example, with "[f]an sites prompted by a book or film," *Petrella*, 134 S. Ct. at 1976. In that unique context, there may be nothing "untoward about waiting to see whether an infringer's exploitation undercuts the value of the copyrighted

work, has no effect on the original work, or even complements it." *Id.* The Patent Act reflects no similar judgment.

Fifth, the broader scope of protection Congress afforded under the Patent Act, as compared to the Copyright Act, weighs in favor of retaining laches as a bulwark against unfair, prejudicial delay that could harm third parties. A copyright-holder cannot forbid mere "use" or private performance or display of the protected work. *Sony Corp. of Am.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 447 (1984) ("An unlicensed use of the copyright is not an infringement unless it conflicts with one of the specific exclusive rights conferred by the copyright statute."); 17 U.S.C. § 106(4)-(6) (copyright owner's exclusive public performance and display rights). Thus, in *Petrella* the Court noted that "[a]llowing Petrella's suit to go forward ... will work no unjust hardship on innocent third parties, such as consumers who have purchased copies of Raging Bull." 134 S. Ct. at 1978. A patentee, by contrast, can sue for any unauthorized "use[]" of the invention. 35 U.S.C. § 271(a). An innocent consumer who purchases a device from an unauthorized seller will continue to commit new acts of infringement every time it is used.

C. SCA's Policy Arguments Are Unfounded

SCA's contention (at 46-48) that abolishing laches in patent cases will serve important policy goals is belied by the near-unanimous support for retaining the defense from major stakeholders in patent law: "[I]ndustries as diverse as biotechnology, electronics, manufacturing, pharmaceuticals, software, agriculture, apparel, health care, telecommunications, and finance" all "overwhelmingly" supported retaining the defense in the proceedings below (Pet. App. 38a), and First

Quality expects a similar showing in this Court. Even the leading organization of patent *owners*—the individuals and firms against whom laches is typically asserted—supports retaining the defense. IPO Br. 1-3.

SCA's and its amici's specific concern that laches causes a rush to court or discourages settlement is wrong. Laches by definition does not penalize *reasonable* delay, such as a delay for bona fide infringement analysis or settlement negotiations. *See, e.g.*, *Aukerman*, 960 F.2d at 1033 (listing circumstances for reasonable delay); 6A *Chisum on Patents* § 19.05[2][b] (2016) (same).[18] And the Court need not speculate counterfactually whether laches "would encourage" these putative problems. Pet. Br. 47. History provides a record. Laches has long been available as a defense to damages claims in patent litigation. SCA offers no evidence that laches has sparked precipitous litigation or impaired the willingness of parties to settle their disputes out of court.

Nor do the facts of this case support abolishing laches, as SCA contends (at 48). SCA finds itself in this position only because of its own calculated decisions and unreasonable delay. SCA was aware of First Quality's alleged infringement for nearly seven years and carefully monitored First Quality's products throughout that period, watching as First Quality invested and expanded. SCA's delay continued *after* the reexamination—a proceeding that might have provided a reason-

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[18] SCA's amicus suggests that license negotiations "will not necessarily excuse delay" (ABA Br. 11), but it misreads the relevant case law, *see A.C. Aukerman Co.* v. *Miller Formless Co.*, 693 F.2d 697, 700-701 (7th Cir. 1982) (plaintiff's sporadic efforts to demand that defendant take a license did not excuse delay, where the "exchanges were all unfruitful" and one-sided).

able excuse for part of SCA's delay under existing law, had SCA provided any indication of the proceeding to First Quality. *Serdarevic* v. *Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1359 (Fed. Cir. 2008) (delay for PTO proceedings was reasonable where infringer still "'had reason to believe it was likely to be sued' after the ... proceedings concluded"). Laches properly protects a party like First Quality against such unfair and prejudicial delay.

III. The Presumption Of Prejudice After Six Years Of Delay Should Be Retained

Under settled law, an accused infringer must demonstrate both unreasonable delay and prejudice to establish laches. If, however, the patentee delays suit for more than six years after the patentee knew or should have known of the infringement, unreasonable delay and prejudice are presumed. Pet. App. 9a. The patentee must then come forward with some evidence to rebut the presumption. *Aukerman*, 960 F.2d at 1037, 1038. The Court should decline SCA's conclusory request (at 50-52) to abolish that presumption, for several reasons.

First, the six-year presumption is not "unique" to the Federal Circuit. Pet. Br. 50. The presumption "was embraced by virtually all circuits prior to the creation" of the Federal Circuit and predates the 1952 Act. *Aukerman*, 960 F.2d at 1035; *see* Selinger, *A Survey of Article III Procedural Issues Considered at The Federal Circuit During Its First Decade*, 27 J. Marshall L. Rev. 25, 58 (1993) ("[F]ederal appellate courts had almost uniformly recognized and adopted the rebuttable presumption that a delay of more than six years was prejudicial and unreasonable."); *Studiengesellschaft Kohle*, 616 F.2d at 1326 (collecting cases). In 1936, for

example, the Ninth Circuit explained that, "[w]hen the suit is filed after the statutory period" of six years, "injury is presumed." *Gillons*, 86 F.2d at 608; *see also Baker Mfg. Co.* v. *Whitewater Mfg. Co.*, 430 F.2d 1008, 1009-1010 (7th Cir. 1970) (additional examples).

Second, the six-year presumption is well grounded in equity practice, in which courts historically "consider[ed] the passage of time equivalent to a comparable statute of limitations as presumptive of laches." *TWM*, 592 F.2d at 348; *cf. Oroz* v. *American President Lines, Ltd.*, 259 F.2d 636, 639 (2d Cir. 1958) (analogous "rule-of-thumb" in admiralty).

Third, even considering the matter afresh, the six-year presumption is sensible and should be retained. The patent owner is best positioned to come forward with a legitimate explanation for its lengthy delay, something SCA was unable to do here. The presumption also provides the very clarity and predictability that SCA claims to want (at 46-48), by giving courts "a yardstick for reaching comparable results in comparable circumstances," *Aukerman*, 960 F.2d at 1035. Parties know, in advance, that six years' delay carries with it particular consequences in patent law, and they can make business and litigation decisions accordingly. At the same time, the presumption still permits flexibility in individual cases. Satisfying the presumption "does not *mandate* recognition of a laches defense," which instead always "remains an equitable judgment of the trial court in light of all the circumstances." *Id.* at 1036.

Fourth, even if the Court were inclined to revisit the six-year presumption, this case would be a poor occasion to do so. The en banc court declined to consider the issue below (*supra* n.6), so it has not received significant attention. The presumption also made no dif-

ference in this case. The district court held that SCA's three-year delay *after* reexamination would serve to establish laches under the particular facts of this case even without the presumption. Pet. App. 105a n.1. That alternative and unchallenged holding would support affirmance here even were the Court to modify the presumption. SCA's deliberate and unreasonable delay prejudiced First Quality and justifies the application of laches to bar SCA from recovering damages.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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IN THE

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SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC,
FIRST QUALITY HYGIENIC, INC.,
FIRST QUALITY PRODUCTS, INC., AND
FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

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CORPORATE DISCLOSURE STATEMENT

The disclosure statement included in the opening brief remains correct.

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INTRODUCTION

Section 286 of the Patent Act of 1952 prescribes a plain six-year limitations period and makes no mention of laches. Notwithstanding the statute's clarity, First Quality contends implausibly that the Court should recognize a laches defense as a matter of historic practice. But neither respondent nor its amici can identify a single statute or precedent of this Court authorizing the use of laches to truncate a legal damages action brought within a statutory limitations period. On the contrary, this Court's precedents have consistently rejected any such argument. *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962, 1974 (2014). First Quality offers a series of lower court decisions in support of its position, but errs in relying on these decisions rather than the contrary decisions of this Court. Moreover, First Quality misconstrues the cases it cites, most of which were brought in equity, addressed equitable remedies, or were in fact cases of estoppel. There is simply no reason to accept First Quality's revisionist historical interpretation of patent law.

Seeking to sidestep the plain statutory text, First Quality attempts to deny the obvious by theorizing that section 286 is not actually a statute of limitations. Resp. Br. 40–42. This is so, First Quality contends, primarily because the provision makes use of a time calculation method that counts back from the filing of a complaint rather than forward from the act of infringement. First Quality ignores the fact that the copyright statute of limitations addressed in *Petrella* works in exactly the same way. 134 S. Ct. at 1968.

First Quality next urges the Court to focus not on the specific terms of section 286, but rather on the general provisions of section 282 of the Patent Act of 1952. Although section 282 nowhere mentions laches, First Quality theorizes an implied judicial power to truncate section 286's six-year limitations period from the general language of section 282. Along the way, it relies on an argument never adopted below: that section 282's reference to "unenforceability" encompasses a laches defense. First Quality's meandering path, however, leads to a thoroughly untenable and counterintuitive result long rejected by this Court: that the equitable doctrine of laches can truncate a statutory limitations period at law.

First Quality's policy arguments fare no better. Even if policy arguments could justify ignoring a statute's plain terms, a judge-made laches defense undermines the sound administration of patent law. Indeed, the doctrine as applied below, with its various presumptions, serves only to impair the system Congress has prescribed. The decision below should be reversed.

I. The Patent Act Does Not Carve Out a Laches Exception to Section 286's Limitations Period.

The heart of First Quality's textual analysis is an argument the Federal Circuit rejected below—that *Petrella* is inapplicable here because section 286 is not a statute of limitations. Resp. Br. 40–42. But, section 286 is clearly a statute of limitations, and under its plain terms litigants such as SCA have six years from the date of each separately accruing infringement to pursue a claim for relief.

A. Section 286 Is the Patent Statute of Limitations.

1. As SCA's opening brief explains (Pet. Br. 6–7, 22–23, 46), Congress enacted the antecedent to section 286, Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 692, 694, to create a uniform national statute of limitations to replace the various state-law limitations periods in use as a result of *Campbell v. City of Haverhill*, 155 U.S. 610, 616–21 (1895). During the legislative process leading up to the 1952 Patent Act, several witnesses called the provision "the statute of limitations." *Patent Law Codification and Revision: Hearings on H.R. 3760 Before Subcomm. No. 3 of the H. Comm. on the Judiciary*, 82d Cong. 80, 108 (1951) (statements of Capt. George Robillard, U.S. Navy, Dept. of Defense, and P.J. Federico, U.S. Patent Office). So did both the Senate and House Reports. H.R. REP. NO. 82-1923, at 10 (1952); S. REP. NO. 82-1979, at 8–9 (1952). Congress again referred to section 286 as a "statute of limitations" in the hearings leading to the enactment of the Copyright Act. H.R. REP. NO. 85-150, at 2 (1957); *see also* S. REP. NO. 85-1014, at 3 (1957). These numerous references in the legislative record cannot be brushed aside. Section 286 has always been understood as a statute of limitations, not something else.

2. First Quality tries to resurrect the argument adopted in *Aukerman* that section 286 is not a statute of limitations and that this somehow makes a difference. Resp. Br. 15, 40–42 (discussing *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1030 (Fed. Cir. 1992) (en banc)). In the decision below, however, the Federal Circuit rejected that position, finding "no substantive distinction" between the Copyright and Patent Acts' limitations periods.

Pet. App. 17a–18a. And just as this Court concluded in *Petrella* that the copyright provision leaves no room for the equitable doctrine of laches, 134 S. Ct. at 1973, 1975, neither does section 286 of the Patent Act.

First Quality's principal argument is that section 286 cannot be a statute of limitations because it counts backward from the filing of a complaint rather than forward from a particular act of infringement. Resp. Br. 41–42. But counting forward from the beginning yields no different result than counting backward from the end. *Petrella* itself treated this purely semantic distinction as irrelevant, repeatedly describing the Copyright Act's three-year period from the date of each act of infringement as a "look-back" period. 134 S. Ct. at 1968, 1969 n.3, 1972, 1973, 1976, 1978.

Moreover, the Patent Act, like the Copyright Act, follows the separate-accrual rule. *See id.* at 1969. Because the statute of limitations accrues separately for each discrete infringement, it "makes the starting trigger an infringing act committed three [here, six] years back from the commencement of suit, while laches, as conceived by [the court of appeals] and advanced by [respondent], makes the presumptive trigger the defendant's *initial* infringing act." *Id.* at 1975. Congress's judgment regarding the appropriate trigger must be respected.

3. First Quality suggests, without authority, that section 286 is a statute of repose. Resp. Br. 42. Even if that were true, it would make no difference. The hallmark of a statute of repose is that it is an "unqualified bar," precluding equitable tolling. *Merck & Co., Inc. v. Reynolds*, 559 U.S. 633, 650 (2010). First Quality offers no reason why a statute which

precludes equitable tolling should imply equitable shortening under the doctrine of laches. To the contrary, as a timeliness rule, a statute of repose implicates the same concerns of separation of powers and respect for the timeliness judgments of Congress as a statute of limitations. Indeed, courts often conflated statutes of limitations and repose. *See, e.g.*, *CTS Corp. v. Waldburger*, 134 S. Ct. 2175, 2185–86 (2014).

B. Section 282 Does Not Limit Section 286.

1. Lacking any support for its laches theory in section 286, First Quality turns to section 282. At the outset, First Quality faces a doubly heavy burden in attempting to use the general terms of section 282 to modify the specific provisions of section 286 in a way that conflicts with this Court's own equity precedents. Not only does First Quality's argument conflict with the general/specific canon, "[a]s this Court has long recognized, 'a major departure from the long tradition of equity practice should not be lightly implied.'" *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (quoting *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320 (1987)); *see also Nken v. Holder*, 556 U.S. 418, 433 (2009) (Congress is to be taken as having legislated consistently with traditional principles of equitable remedies).[1]

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[1] As discussed in amicus Medinol Ltd.'s brief, (17–24), the Court should require a clear statement, mentioning laches expressly, to displace the background rule.

First Quality seizes on the word "unenforceability" in section 282, arguing that the term had an "accumulated settled meaning" that included laches in damages actions. Resp. Br. 29. But as the dissent below noted, it is for good reason that the decision below did not treat laches as an "unenforceability" defense. Pet. App. 49a–50a. The classic unenforceability defenses are "patent misuse" (abuse of the patent monopoly) and "inequitable conduct" (fraudulent misrepresentations or material omissions to the patent examiner). *See, e.g.*, *Zenith Radio Corp. v. Hazeltine Research, Inc.*, 395 U.S. 100, 105 (1969) (unenforceability based on "conspiracy with foreign patent pools"); *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 814–16, 819 (1945) (public policy precludes "enforcement of patent claims infected with fraud and perjury"). These defenses require proof of egregious misconduct to impair the patent right. Laches, on the other hand, is a defense premised on delay, not misconduct. A patentee who delays too long to sue might lose an accrued remedy, but not the patent. The patentee could still enforce the patent against the infringer for future infringement and against the world generally.

First Quality cherry-picks a few cases in which the terms "laches" and "enforce" or "unenforceable" appear near each other (Resp. Br. 28 & n.11), but these casual expressions are of no significance. The sheer number of cases in which laches is treated as a separate defense, without reference to "enforceability," shows that there was never a "settled meaning" to "unenforceability" that incorporated laches, much less the use of laches in legal damages actions.

2. To bolster its position, First Quality refers (Resp. Br. 31) to Senator McCarran's comment that "unenforceability" "has been used in numerous court decisions under the section in question." 98 Cong. Rec. 9323 (1952). But as he explained, "in a case *where a patent* is found unenforceable," judgment could not be entered for the patent holder. *Id.* (emphasis added). This explanation does not describe laches.

Rather, the Senator was almost certainly referring to the patent-misuse doctrine, which, along with contributory infringement, was the subject of intense legislative debate. *See Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 203–15 (1980) (discussing lengthy history of debate on misuse and patent enforcement). This Court's contributory infringement decisions had "rendered doubtful the enforceability of many of a very large class of patents." *Contributory Infringement in Patents; Definition of Invention: Hearings on H.R. 5988, H.R. 4061, H.R. 5248 Before the Subcomm. on Patents, Trade-Marks, and Copyrights of the H. Comm. on the Judiciary*, 80th Cong. 6 (1948); *see id.* at 17, 2–33; *see also Contributory Infringement: Hearings on H.R. 3866 Before the Subcomm. No. 4 of the H. Comm. on the Judiciary*, 81st Cong. 21, 6–34, 51–82 (1949). As Robert Byerly and Giles Rich (a principal drafter of the 1952 Act and later Federal Circuit judge) summarized the problem, the Court's decisions holding "that enforcement of a patent right against a contributory infringer is 'misuse,'" required a rethinking of the line between contributory infringement and misuse. *Hearings on H.R. 5988*, 80th Cong. 73. There is simply no reason to believe that Senator McCarran thought "unenforceability"

included laches—a word that never appeared in the legislative history.

3. Finally, First Quality argues that the phrase "in any action" in section 282(b) means that equitable defenses may bar legal damages claims. Resp. Br. 28–30. This, however, is just another form of the argument rejected in *Petrella* that the phrase "in every civil action" in Federal Rule of Civil Procedure 8(c) brought laches over into actions at law. *Petrella*, 134 S. Ct. at 1974–75; *see also* Fed. R. Civ. P 8 advisory committee's 1937 note (patent pleading rules abrogated by subdivision (b)). The argument fares no better here than it did in *Petrella*.

II. The History of Patent Litigation Does Not Support First Quality's Argument.

Lacking any real support in the text of the Patent Act, First Quality devotes a large portion of its brief to a discussion of historical practice. Resp. Br. 17–27 First Quality's analysis, however, is deeply flawed. To begin with, although historical practice may inform a court's understanding of a statute, it cannot overcome its clear terms. *See Hartford Underwriters Ins. Co. v. Union Planters Bank, N.A.*, 530 U.S. 1, 11 (2000). Because the terms of section 286 are clear, prior practice cannot be used to vary its requirements. In addition, First Quality simply gets the history wrong.

A. The History of Patent Litigation Tracks the History of Copyright Litigation; Neither Establishes a Practice of Using Laches to Curtail Legal Damages Claims.

First Quality makes much of the prevalence of equitable actions in patent cases, but fails to point out that was also true of copyright litigation. Resp. Br.

17–21. While citing 1952 statistics on bench and jury trials in patent cases to argue for a special patent law rule (Resp. Br. 3–4), First Quality ignores that seven lines up on the cited page is the entry for copyright adjudications, showing that in 1952, there were 12 copyright bench trials and only 1 jury trial. Judicial Conference of the U.S., *Report of the Division of Procedural Studies and Statistics, in Annual Report* 67, 134 Table C4 (1952). Copyright cases were predominantly tried in equity, just like patent matters.

Moreover, patent and copyright law developed in strikingly similar ways. In the nineteenth and early twentieth centuries, a patentee had the right to sue for patent infringement either at law, seeking damages, or in equity, seeking injunctive relief and an accounting of profits. *Tilghman v. Proctor*, 125 U.S. 136, 143–44 (1888), *superseded by statute*, Act of Aug. 1, 1946, ch. 726, § 4921, 60 Stat. 778. In 1870, Congress expanded the accounting remedy to include damages. Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206.[2] This ancillary power was not a feature

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[2] While First Quality argues that the 1870 amendments caused a shift to equity courts (Resp. Br. 3–4, 25), one of the articles it cites calls this "inaccurate" and "overstated" Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 Yale L.J. 848, 913–14, 919 (2016). The shift "happened earlier, in the 1850s and 1860s," and was linked to the disparate treatment of the invalidity defense at equity and law. *Id.* at 913–14.

unique to patent law and was available as a general matter in equity courts to avoid the inefficiency of starting a second action at law. *See Tilghman*, 125 U.S. at 149. Over time, Congress stepped in to further regulate patent litigation in a variety of ways, including adding a uniform national statute of limitations in 1897 H.R. REP. NO. 54-940, at 2 (1896).

Copyright law took virtually the same path. Copyright claims could be brought at law or in equity. *See Douglas v. Cunningham*, 294 U.S. 207, 210 (1935). Equity courts adjudicating copyright claims had the power to conduct an accounting and award profits, but there was no express authority to award damages. In 1909, Congress granted the ancillary power to award damages to equity courts. *Id.* at 208 n.1. Congress enacted a national copyright statute of limitations in 1957. S. REP. NO. 85-1014, at 1–2 (1957). Notably, the legislators who crafted this limitations period used the patent laws as their model, referred to section 286 as a "statute of limitations," and commented that the provision precluded the application of equitable defenses. *Id.* at 3; *see also* Medinol Br. 11–13.

Congress eventually abolished the profit remedy in patent cases. *Aro Mfg. Co., Inc. v. Convertible Top Replacement Co., Inc.*, 377 U.S. 476, 505 (1964). That left the remedies of injunction and damages. A similar framework existed in copyright cases, in which a plaintiff could pursue the equitable remedies of injunctive relief and disgorgement of profits (which was never abolished), or a legal damages claim. *See Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 342 (1998).

Under the copyright regime, what matters in determining whether laches applies is what has

always mattered: whether the particular remedy is legal or equitable in nature. *See Petrella*, 134 S. Ct. at 1967 n.1. Thus, in *Petrella*, this Court concluded that laches could bar claims for equitable relief in the form of injunctions and an accounting of profits in "sufficiently extraordinary" circumstances, but could never bar damages. *Id.* at 1978–79. The same holds true under the Patent Act.

B. The Case Law Does Not Support First Quality's Revisionist Theory.

1. First Quality devotes several pages of its brief (Resp. Br. 18–23) to a long list of citations establishing that laches was available in equity actions prior to 1952. But that is not the question. The question under *Petrella* is whether the specific remedy at issue, patent infringement damages, is legal or equitable. Because the remedy here is plainly legal in nature—it *is triable to a jury*—laches cannot apply to bar a claim for patent damages in the face of section 286.

2. First Quality seeks to align a legal damages claim with an accounting action, but in doing so badly misperceives the nature of an accounting, which was a remedy only available in a court of equity and was eliminated in 1946, six years before the passage of the 1952 Patent Act. It is plain that the antecedent to today's patent infringement suit is a legal claim for damages, not an equitable accounting proceeding.

The accounting procedure was purely a creature of equity. Once equity jurisdiction attached—almost always through a request for injunctive relief—the plaintiff could request an accounting. *Root v. Lake Shore & M.S. Ry. Co.*, 105 U.S. 189, 215–16 (1881) (a patentee could not obtain "a naked account of profits

and damages"; accounting must be "incidental to some other equity, the right to enforce which secures to the patentee his standing in court"). The accounting involved complex rules administered by a special master and was notorious for delay and expense. *Recovery in Patent Infringement Suits: Hearings on H.R. 5231 Before the H. Comm. on Patents*, 79th Cong. 3–4, 7–8, 10–14 (1946). If profits could not be proved, the plaintiff could seek damages in the alternative, but the focus of an accounting was disgorgement of profits. *Id.* at 4.

First Quality's accounting cases stand for the unremarkable proposition that an equity court could exercise its discretion to refuse equitable relief on grounds of laches. *See* Pet. App. 62a (Hughes, J., concurring-in-part, dissenting-in-part). Once the right to proceed in equity was lost, so was the equitable remedy of an accounting. These cases do not say that laches could be used to bar the patentee's right to collect legal damages—laches was never available for that purpose. Notably, one of the equity cases First Quality relies upon made this distinction explicit, restating the hornbook rule that laches is a defense "peculiar to courts of equity, founded on lapse of time and the staleness of the claim, where no statute of limitations directly governs the case." *Gillons v. Shell Co. of Cal.*, 86 F.2d 600, 609 (9th Cir. 1936) (quoting *Wagner v. Baird*, 48 U.S. (7 How.) 234, 257–58 (1849)).

Moreover, the accounting cases are of dubious utility in interpreting the 1952 Patent Act because Congress abolished the accounting remedy in 1946. *Hearings on H.R. 5231*, 79th Cong. 4 ("The present bill eliminates an accounting for profits ."). There is

simply no reason to presume that Congress relied on this dead branch of the law in crafting section 282.

After 1946, an infringer thus had two remedies—the equitable remedy of injunction and the legal remedy of damages. The 1952 Act codified the equitable remedy in section 283 and the legal remedy in section 284. 35 U.S.C. §§ 283, 284. Unsurprisingly, section 283 makes injunctive relief subject to "the principles of equity"; section 284 does not. Neither section 284 nor section 286 create any special laches defense to infringement damages, and none can plausibly be inferred from section 282.

3. First Quality argues that there was a consensus at law that laches was an available defense in patent cases. Resp. Br. 21–23. Not so. In hearing patent cases while riding circuit, Justice Baldwin found early on that laches could not bar legal relief: "Equity acts on different principles in protecting the possession of the plaintiff, or declining to disturb the defendant; it leaves the rights of the parties as they stand at law. Though a plaintiff may have been wanting in that degree of diligence which entitles him to relief in equity, yet that alone does not impair his right or remedy in damages at law." *Cooper v. Mattheys*, 6 F. Cas. 482, 486 (C.C.E.D. Pa. 1842) (No. 3200); *see also McLaughlin v. People's Ry. Co.*, 21 F. 574, 574 (C.C.E.D. Mo. 1884) ("[W]hatever action at law he may have for damages, I think his own laches such as prevents a court of equity from interfering by injunction.").

The earliest case that First Quality cites is *Ford v. Huff*, 296 F 652 (5th Cir. 1924). But *Ford* is not a patent infringement case. The plaintiff was an employee of Henry Ford who assigned his inventions

to Ford under a purported agreement requiring Ford to pay a royalty. *Id.* at 654. The plaintiff sued to enforce the promise in state court, but Ford removed the case to federal court and tried to interpose an estoppel defense. *Huff v. Ford*, 289 F. 858 (S.D. Fla. 1923). The lower court denied the defense, but the Fifth Circuit reversed. *Ford*, 296 F. at 657. Nothing in *Ford* suggests that the Fifth Circuit would have barred the suit absent proof of the elements of estoppel. *See Thorpe v. Wm. Filene's Sons Co.*, 40 F.2d 269, 270 (D. Mass. 1930) ("In *Ford v. Huff*, supra, while the word 'laches' is used, the decision clearly rested upon the ground of estoppel."). Nor does it stand for the proposition that a patent holder's damages claim is subject to laches–Huff was not even the patent holder; Ford owned the patents by assignment. *Ford*, 296 F. at 654.

First Quality also relies on *Banker v. Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934). But *Banker* confused laches and estoppel, and in its analysis employed a misinterpretation of section 274b of the Judicial Code, 28 U.S.C.A. § 398, superseded by Federal Rule of Civil Procedure 2. Act of Mar. 3, 1915, ch. 90, § 274b, 38 Stat. 956 (codified at 28 U.S.C. § 398) (repealed 1938). The *Banker* court did not have the benefit of two critical 1935 decisions of this Court that confirmed the common law division between law and equity and the rule that laches is not a defense to an action at law. *United States v. Mack*, 295 U.S. 480, 489 (1935) ("Laches within the term of the statute of limitations is no defense at law."); *Enelow v. N.Y Life Ins. Co.*, 293 U.S. 379, 382 (1935), *overruled on other grounds by Gulfstream Aerospace Corp. v. Mayacamas Corp.*, 485 U.S. 271 (1988) (section 274b was not substantive and merely preserved the order

of trial in equitable and legal actions). This Court reiterated the common law rules in numerous cases in the ensuing decades. *Petrella*, 134 S. Ct. at 1973.

First Quality also cites three Seventh Circuit decisions, starting with *Universal Coin Lock Co. v. Am. Sanitary Lock Co.*, 104 F.2d 781 (7th Cir. 1939), which relied on the misguided analysis in *Banker*. Resp. Br. 23. The only other appellate decision is *Lukens Steel Co. v. Am. Locomotive Co.*, 197 F.2d 939 (2d Cir. 1952). In *Lukens*, the lower court, without once mentioning laches, barred all relief based on "the doctrine of estoppel." *Lukens Steel Co. v. Am. Locomotive Co.*, 99 F. Supp. 442, 449 (N.D.N.Y. 1951). On appeal, the Second Circuit approved the estoppel finding, but then gratuitously observed that "laches was available to bar both the accounting and the injunction." 197 F.2d at 940. It had no occasion to address whether laches could bar legal damages.

First Quality concedes that the remaining two appellate cases it cites addressed laches in dicta. Resp. Br. 23 (citing *Chicago Pneumatic Tool Co. v. Hughes Tool Co.*, 192 F.2d 620, 625 (10th Cir. 1951); *Shaffer v. Rector Well Equip. Co.*, 155 F.2d 344, 345–347 (5th Cir. 1946). In fact, the defense pled in *Chicago Pneumatic* was "estoppel by laches," and the facts demonstrate that the defendant was asserting a traditional estoppel defense. *Hughes Tool Co. v. Chicago Pneumatic Tool Co.*, 90 F. Supp. 845, 846, 848 (W.D. Okla. 1950) ("We find nothing misleading or deceptive, upon which the defense of estoppel could be reasonably based."), *aff'd*, 192 F.2d 620.

Contrary to First Quality's characterization, there was thus no lower-court "consensus" view in favor of using laches to truncate legal relief, let alone any

Congressional endorsement of that position. If Congress was aware of or ratified any case law in 1952, it was the unbroken line of this Court's decisions holding that laches cannot "bar a claim for damages brought within the time allowed by a federal statute of limitations." *Petrella*, 134 S. Ct. at 1973–74.

4. As further support for its view, First Quality relies on some circuit court decisions between 1952 and the 1982 creation of the Federal Circuit (Resp. Br. 33–35). But these cases are not particularly clear, uniform, or helpful. *Middleton v. Wiley*, 195 F.2d 844 (8th Cir. 1952), was the best statement of the law in the Eighth Circuit, and as explained in SCA's opening brief (Pet. Br. 44), contradicts First Quality. The Tenth Circuit decision that First Quality cites observed that *Holmberg v. Ambrecht*, 327 U.S. 392 (1946) applied to patent cases, noting that "statutes of limitation are not controlling measures of *equitable relief*," and implying the opposite would be true in cases at law. *Potash Co. of Am. v. Int'l Minerals & Chem. Corp*, 213 F.2d 153, 154 n.2 (10th Cir. 1954) (emphasis added). The best statement of the law in the First Circuit remained *Thorpe*, which explicitly rejected the view that the merger of law and equity made laches available in patent cases at law. 40 F.2d at 269. Other circuits said nothing on the subject.

5. Ultimately, First Quality's historical analysis fails because it refuses to recognize the critical division of law and equity. First Quality downplays this distinction at every turn, even arguing that jury trials were a forgotten artifact by 1952 and that we should presume Congress jettisoned the concept of legal damages as a result. Yet it is an undeniable fact that patent cases continued to be tried to juries

throughout the period. *See, e.g.*, *Packwood v. Briggs & Stratton Corp.*, 195 F.2d 971, 972 (3d Cir. 1952); *Oxnard Canners, Inc. v. Bradley*, 194 F.2d 655, 656 (9th Cir. 1952). In drafting the 1952 Patent Act, Congress explicitly recognized that the "there would be, of course, a right to jury trial when no injunction is sought." H.R. REP. NO. 82-1923, at 29 (1952); S. REP. NO. 82-1979, at 29 (1952).

The reality is that legal damages actions never disappeared and remain with us today. Following the Court's decision in *Dairy Queen, Inc. v. Wood*, 369 U.S. 469 (1962), reaffirming the Seventh Amendment right to jury trial in cases with intertwined legal and equitable issues, patentees no longer had to choose between seeking an injunction in equity or damages at law for the sake of preserving a jury right. Patent jury trials became more frequent, and today approximately 70% of patent cases are tried to juries. Beauchamp, 125 Yale L.J. at 913. Thus, the law has come full circle; the dominant remedy today is the same as it was in 1790 when Congress enacted the first patent laws—an action for legal damages. And laches is no bar to legal damages.

III. Erroneous Lower-Court Decisions Do Not Become Good Law Simply Because Congress Fails to Overturn Them.

First Quality also contends that Congressional inaction is tantamount to ratification of the Federal Circuit's laches jurisprudence. Resp. Br. 35–36. But the longevity of an erroneous lower-court practice cannot insulate it from review. If the law were otherwise, erroneous lower-court interpretations would achieve a novel kind of immunity simply with the passage of time.

First Quality cites several cases in which this Court declined to overrule longstanding precedent, but these were cases in which the Court declined to revisit its *own* decisions. *See, e.g.*, *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 101–02 (2011). In *i4i*, a case First Quality refers to repeatedly, the Court reaffirmed a 1934 decision written by Justice Cardozo, who himself traced a "century of case law." *Id.* at 101 (citing *Radio Corp. of Am. v. Radio Eng'g Labs., Inc.*, 293 U.S. 1 (1934)); *see also Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401, 2410–11 (2015) (declining to overrule 1964 precedent of this Court barring royalties after patent expires). There is no reason to affirm the decision below simply because no higher authority has as yet gotten around to overturning it. On the contrary, following *i4i*, the appropriate course is to reaffirm this Court's precedents that laches is not available to truncate the timeliness of a legal damages claim.

Critically, it is the Federal Circuit that did not feel constrained by precedent and had its laches law exactly backwards: laches in patent infringement actions could bar back damages, but not injunctive relief. *Aukerman*, 960 F.2d at 1040–41. Following *Petrella*, the Federal Circuit has now reversed its position on the applicability of laches to equitable injunctive relief, but has failed to finish the job and eliminate the application of laches to back damages. Pet. App. 2a. If the Federal Circuit can modify its own laches jurisprudence, certainly the Court can do so here.

IV. Policy Considerations Cannot Trump Section 286's Text and in Any Event Do Not Favor First Quality.

Section 286 expresses its own best policy: it prescribes a clear, uniform six-year limitations period and authorizes no exception for laches. Given the text's clarity, achieving a different policy outcome is for Congress, not the courts. *See Hartford Underwriters*, 530 U.S. at 13–14. In response, First Quality boldly asserts "near-unanimous support for retaining the defense [of laches] from major stakeholders in patent law." Resp. Br. 49. But First Quality's assertion is simply wrong—as SCA's amici illustrate. These include the ABA and the AIPLA, a 14,000-member society that "represent[s] a wide and diverse spectrum of individuals, companies and institutions" involved in patent and copyright law. ABA Br. 1; AIPLA Br. 1.

The amicus briefs ably debunk First Quality's many policy myths. For example, the ABA and AIPLA critique the assertion that laches is necessary to police loss of evidence as "grossly overstated." ABA Br. 13; AIPLA Br. 4–5. In the digital age, the absence of a laches defense will "likely have no real effect because in the age of digital permanence, there is little risk that evidence necessary to an invalidity defense will be lost." ABA Br. 14–15. First Quality argues that there is some distinction between copyright and patent law in that regard. But it has no answer for the ABA's point that concern for evidentiary loss "during the significantly shorter twenty-year patent term would appear to provide even less justification for preserving the laches defense than under the Copyright Act's much longer term of life of the author

plus 70 years." *Id.* at 15. In other words, because patents last for much less time than copyrights, the concern about cutting off "stale" claims is far weaker here than in *Petrella*.

First Quality posits scenarios where "unscrupulous" patent owners stand by and do not file suit until manufacturers "lock-in" to an infringing technology with investments. Resp. Br. 47. But *Petrella* rejected that assertion; there is nothing wrong with waiting to file suit until there is a real, live dispute worthy of the expense of litigation. 134 S. Ct. at 1976. Any other rule would force patent holders to bring suit prematurely, harming the parties and the judicial system. ABA Br. 7–11. In particular, it would deter taking the time to explore out-of-court settlement, forcing litigants to charge into court and "sue soon, or forever hold your peace." *Petrella*, 134 S. Ct. at 1976; ABA Br. 11–12. Here, SCA is being penalized for voluntarily submitting to the PTO's reexamination procedure, instead of litigating first and asking questions later.

Most importantly, Congress made the relevant policy judgments over a century ago, adopting an integrated system of timeliness rules requiring notice or marking to obtain back damages in most cases, a six-year limitations period, and a limited patent life. Pet. Br. 49–50. As noted during the 1897 floor debate, Congress carefully balanced the needs of patent holders and infringers, selecting the six-year limitations period. 29 Cong. Rec. 902 (1897). In short, Congress resolved First Quality's policy issues over a century ago.

V. The Federal Circuit's Six-Year Presumption Is a Judicially Created Rule That Is at War With *Petrella* and the Patent Act's Text.

Finally, even if laches were a viable defense to damages at law, First Quality offers no serious justification for the Federal Circuit's laches presumptions. Congress knows how to legislate patent presumptions and did so in section 282(a), which explicitly provides that "[a] patent shall be presumed valid." 35 U.S.C. § 282(a). By contrast, the statute creates no presumptions for the defenses described in section 282(b), let alone any specific to laches.

Indeed, *Petrella* rejected an indistinguishable presumption under the Copyright Act. As this Court explained, presuming laches is at war with the separate-accrual rule. "Only by disregarding . . . the separate-accrual rule . . could the Court of Appeals presume that infringing acts occurring before [the start of the limitations period] bar all relief, monetary and injunctive, for infringement occurring on and after that date." *Petrella*, 134 S. Ct. at 1973; *see id.* at 1974–75.

First Quality contends that the presumptions of delay and prejudice predate the 1952 Act. Resp. Br. 51. Yet the leading cases it cites earlier in arguing for a pre-1952 consensus (Resp. Br. 22) employ no presumptions, but rather a traditional equitable balancing test. *See Ford*, 296 F at 657 (approximately 14-year delay); *Banker v. Ford Motor Co.*, 3 F Supp. 737, 738 (W.D. Pa. 1933) (over 16-year delay); *Universal Coin Lock*, 104 F.2d at 783 (14-year delay). Indeed, the only appellate case First Quality cites prior to 1952 is *Gillons*. There was hardly a

consensus among the appellate courts with respect to any laches presumptions.

Moreover, the perverse nature of the presumptions of delay and prejudice are on powerful display in this case. With respect to delay, SCA was plainly justified in not suing for infringement immediately. The courts below started the clock on the first act of infringement and refused to toll it during PTO review. This, even though the Federal Circuit panel recognized that First Quality was on constructive notice of the proceedings. Pet. App. 79a.

The panel below then found that a genuine issue of material fact barred summary judgment on estoppel. SCA's immediate request for PTO reexamination, it reasoned, "could reasonably be viewed as inconsistent with SCA's alleged acquiescence," preventing a finding of prejudice. Pet. App. 88a. Yet, applying the presumption, the panel affirmed summary judgment on laches, Pet. App. 76a–77a, while on the very same facts finding a genuine dispute on prejudice as to estoppel, Pet. App. 89a–91a. The presumption was dispositive, penalizing SCA a second time because it voluntarily submitted to PTO re-examination instead of charging into court first. There is no equity in any of this.

CONCLUSION

The judgment of the court of appeals should be reversed.

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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC,
FIRST QUALITY HYGIENIC, INC.,
FIRST QUALITY PRODUCTS, INC., AND
FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR AMICI CURIAE ALLIANCE OF INVENTOR GROUPS IN SUPPORT OF PETITIONERS

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INTERESTS OF *AMICI CURIAE*[1]

Amici Curiae are non-profit organizations of inventors and small-business owners with first-hand experience with America's patent system. They have spent substantial portions of their lives working to ensure that the flaws in that system are addressed in a manner that preserves those features that have made it one of the driving forces of the world's most powerful economy.

Amici's extensive experience with the patent system and its ties to the health of the American economy make them well situated to explain the importance of the issues presented in this case. Amici and their members know from personal experience the difficulties that patentees sometimes face in asserting their patent rights, and how, if the Federal Circuit's decision is left standing, patentees may be unnecessarily deprived of damages for past infringement of their patent rights.

Amici are:

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[1] Counsel for all parties received notice of *amici curiae*'s intent to file this brief 21 days before its due date. All parties have consented to the filing of this brief. No counsel for a party authored this brief in whole or in part, and no entity, other than *amici*, their members, or their counsel, has made a monetary contribution to the preparation or submission of this brief.

The American Society of Inventors is the country's oldest continuously active, inventor-help organization.

The Alliance of U.S. Startups and Inventors for Jobs is a nonprofit group of inventors, startup companies, and research institutions that educates and advocates for federal legislation that facilitates inventions and provides strong patent rights.

The National Innovation Association is a nonprofit association of inventors, makers, entrepreneurs and startups that provides networking, information and connections to buyers, manufacturers, prototypers, and other professionals.

US Inventor, Inc. is a nonprofit education and advocacy organization with approximately 8,000 members that advocates for strong patent rights in Washington D.C. and across the country.

The Independent Inventors of America is a nonprofit organization that provides educational resources to inventors.

The Inventors Association of South Central Kansas, The Edison Innovators Association, the Inventors Network of Minnesota, The Texas Inventors Association, and The San Diego Inventors Forum are local, nonprofit inventor organizations that provide direct support, education, networking, and other opportunities to independent inventors and patent-centric startups.

The Young Inventors Association of America, Inc. is a nonprofit organization that supports young inventors by helping them secure funding through a public/private partnership, as well as hosting the annual "young inventors showcase."

SUMMARY OF THE ARGUMENT

In *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), this Court held that laches may not bar copyright claims for legal relief brought within the statutory time limit for seeking that relief. The Court noted in *Petrella* that the Federal Circuit allows laches to bar legal relief for patent claims brought within the six-year statutory time limit for seeking that relief, (*id.* at 1974 n. 15), but the Court did not resolve whether this application of laches comports with this Court's precedent or the Patent Act. In the decision being appealed, a closely-divided Federal Circuit refused to extend the reasoning of *Petrella* to patent cases, leaving in place its judicially-created, patent-specific rules for laches. However, nothing in the Patent Act warrants a deviation from the accepted common law principles set forth in *Petrella*, which apply to all federal statutory limitation periods, not just the one set forth in the Copyright Act. The Federal Circuit's decision improperly second guesses Congress' judgment about when a patentee may timely seek legal relief, and thus violates the separation of powers.

Moreover, applying laches to curtail Congress' six-year limitations period undermines the protections afforded to inventors and the incentive to foster innovation mandated by the U.S. CONST art I, § 8. Specifically, the patent laws were designed first and foremost to protect inventors and to foster innovation by granting an exclusive property right in exchange for public disclosure of inventions. Given

marketplace realities, continuing to impose an additional laches limitation on small companies and individual inventors will in many instances inhibit or even foreclose their ability to recover damages for infringement, thereby diminishing the incentives for public disclosure through patent protection. Congress has wisely and unambiguously provided patentees with a reasonable time period to exercise their rights, and the courts should not disturb Congress' judgment.

ARGUMENT

I.
APPLYING LACHES TO PATENT LEGAL CLAIMS VIOLATES THE SEPARATION OF POWERS

As this Court made clear in *Petrella*, courts should not use judicially-created laches to second guess Congress' judgment in setting a reasonable period to assert legal claims for damages. As in *Petrella*, here Congress has prescribed a specific period of time to assert a legal claim for damages. Specifically, in the Patent Act, Congress has set a six-year time limit for recovering damages prior to the filing a complaint for legal relief. 35 U.S.C. § 286 (2016). Neither the Patent Act nor its legislative history suggests that laches can be used to shorten this six-year period.

Although the majority of the Federal Circuit held that laches could be applied to bar legal claims because Congress codified laches as a defense in Patent Act, the operative section on which the majority relied – Section 282 – does not even mention laches. 35 U.S.C. § 282 (2016). The majority principally relied upon a lone statement in a USPTO report created two years *after* enactment of Section 282 in 1952, to hold that the section implicitly incorporates laches as a defense. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311, 1322-23 (Fed. Cir. 2015). That *post-hoc* report is not legislative history and does not demonstrate that Congress intended to specifically codify laches as a defense that could

trump the clear limitations period of Section 286. *Graham Cty. Soil & Water Conservation Dist. v. U.S. ex. rel. Wilson*, 559 U.S. 280, 297-98 (2010) (letter exchanged between Congressman and Senator did "not qualify as legislative 'history,' given that it was written 13 years after the amendments were enacted.")

Further, as the dissent of the Federal Circuit noted, "even if laches were implicit in § 282, that would not be enough, for the question is whether Congress prescribed a variant form of laches in the Patent Act that applies to claims for legal relief" as opposed to just equitable relief. *SCA Hygiene Prods. Aktiebolag*, 807 F.3d at 1335. Before and after the time Section 282 was enacted in 1952, this Court has recognized that laches may bar only equitable forms of relief. *See, e.g.*, *Petrella*, 134 S. Ct. at 1973 (*citing Holmberg v. Armbrecht*, 327 U.S. 392, 395-96 (1946)); *Merck & Co. v. Reynolds*, 559 U.S. 633, 652 (2010). Thus, to the extent that a common law defense of laches is codified in the Patent Act, it could apply to bar only equitable relief, and would not affect the timeliness of claims for legal relief governed by Section 286. *See La. Pub. Serv. Comm'n v. Fed. Commc'n Comm'n*, 476 U.S. 355, 370 (1986) (noting that in performing statutory construction "provisions of a statute should be read so as not to create a conflict.")

In holding otherwise, the majority of the Federal Circuit relied upon laches decisions by lower courts in patent cases. *See SCA Hygiene Prods. Aktiebolag*, 807 F.3d at 1326-27. However, these lower-court

decisions cannot alter the generally-applicable common law of laches set forth by this Court. Indeed, this Court has repeatedly admonished against deviating from accepted common law principles in the patent context absent an express statutory justification for such a deviation. *See e.g.*, *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 836-40 (2015); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1758 (2014); *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388, 391 (2006). And, as this Court has repeatedly noted, "a major departure from the long tradition of equity practice should not be lightly implied." *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320 (1982); *accord eBay Inc.*, 547 U.S. at 395 (concurring). Nothing cited by the majority of the Federal Circuit nor anything in the Patent Act justifies a departure from the traditional common law principles of laches, which may bar only equitable relief and not legal relief.

Without an explicit statutory basis for laches or clear Congressional intent to deviate from accepted common law principles of laches, courts should simply apply the straight-forward time limit of Section 286. Indeed, Section 286 was enacted to provide a uniform time period for seeking damages for past infringement. Before the predecessor to Section 286 was enacted, the Patent Act (as with the Copyright Act) did not contain a limitations period. To prevent patent owners from bringing claims after an unreasonable delay, courts borrowed laches periods from analogous state-law causes of action. However, these laches periods varied from state-to-

state. Accordingly, in 1896, Congress adopted a uniform limitations period of six years. *SCA Hygiene Prods. Aktiebolag*, 807 F.3d at 1336 (referencing H. REP. NO. 54-940 at 2 (1896)); *see also Petrella*, 134 S. Ct. at 1975. As a result, Congress filled the hole previously filled by laches.

By enacting a limitations period, Congress manifested its judgment as to a reasonable period of time within which to pursue recovery of damages for patent infringement, effectively building into the statute its own laches determination. As discussed *infra*, Congress' determination that six years is a reasonable period speaks to the complexities of patent litigation. Because Congress has addressed when a claim will be considered timely, a judicially-created laches period is unnecessary. *Petrella*, 134 S. Ct. at 1974 ("The expansive role for laches MGM envisions careens away from understandings, past and present, of the essentially gap-filling, not legislative-overriding, office of laches."); *SCA Hygiene Prods. Aktiebolag*, 807 F.3d at 1336; *see also Mobil Oil Corp. v. Higginbotham*, 436 U.S. 618, 626 (1978) ("There is a basic difference between filling a gap left by Congress' silence and rewriting rules that Congress has affirmatively and specifically enacted. In the area covered by the statute, it would be no more appropriate to prescribe a different measure of damages than to prescribe a different statute of limitations, or a different class of beneficiaries.") The six-year limitations period of Section 286 already represents Congress' judgment about what constitutes a timely claim. The Federal Circuit's

decision unnecessarily upsets this judgment, and thus violates the separation of powers.

II.
APPLYING LACHES TO PATENT LEGAL CLAIMS FRUSTRATES THE POLICY IN FAVOR OF PROTECTING INVENTORS AND PROMOTING INNOVATION

The Federal Circuit, with a passing reference to protecting innocent defendants, suggests that public policy supports its refusal to apply *Petrella* to patent cases. *SCA Hygiene Prods. Aktiebolag*, 807 F.3d at 1330. But, public policy in the patent context fully supports adhering to the six-year limitations period, which reflects Congress' judgment regarding a fair balance between the interests of defendants, who may or may not be innocent, and those of patentees, including inventors and small companies, who may well require at least that long to be in a position to enforce their legitimate patent rights. Truncating this six-year period by applying laches can harm the legitimate inventors the Patent Act was designed to protect, and thereby undermine the Constitutional mandate to promote the useful arts.

A. The Importance of Individual Inventors and a Patent System that Protects Them

Inventors are the lifeblood of American innovation. They are the primary reason for our Constitutional mandate to promote the useful arts. U.S. CONST art. I, § 8 Simply put, these inventors are working to improve society and create new endeavors. *See*

Christopher A. Cotropia, *The Individual Inventor Motif in the Age of the Patent Troll*, 12 YALE L.J. & TECH. 52, 55 (2009). Founding Fathers Benjamin Franklin and Thomas Jefferson were inventors in their own right, so perhaps it is not surprising that the Constitution itself seeks to protect inventors and inventions through patents. *See discussion generally*, Congr. Dana Rohrabacher, *Congressional Commentaries: The Case for a Strong Patent System*, 8 HARV. J.L. & TECH. 263, 270 (1995).

The small businesses created by these inventors have become a foundation for growth of the U.S. economy. Michael Meurer, *Inventors, Entrepreneurs, and Intellectual Property Law*, 45 HOUS. L. REV. 1201, 1202-03, n.7 (2008); Rohrabacher, 8 HARV. J.L. & TECH. at 266 ("The American system is based on awarding broad protection to the rightful creator and encouraging and providing a means to make the strongest possible application that can be defended against infringers. United States public policy regards patents not as trophies, but as a means for the creation of new industries and jobs.")

Recognizing their importance, Congress has passed numerous measures to foster growth of small businesses, including the Small Business Act of 1953, 15 U.S.C. § 631 et seq. (2016 (providing for government backed loans to small businesses) and the Small Business Jobs Act of 2010, 26 U.S.C. § 38 (2016) (providing certain tax incentives to small businesses); *see also* 15 U.S.C. § 638(d)(1)(E) (2016) (providing joint program with small business concerns to prosecute patents). Consistent with its

Constitutional purpose, the United States patent system also includes numerous measures to protect inventors and their small businesses. *See e.g.*, Cotropia, 12 YALE J.L. & TECH at 58 *citing* U.S. CONST, art. I, § 8 (naming *inventors* specifically for protection); 35 U.S.C. § 116 (2016) (awarding patents to named *inventors*). Numerous provisions of the Patent Act aim to provide protections to inventors, particularly the small and independent inventors. *See e.g.*, *Meurer*, 45 HOUS. L. REV. at 1205 (noting that the Patent Act has maintained the one-year grace period to file patent applications under 35 U.S.C. § 102(b) to benefit small inventors) (particularly relevant in view of the America Invents Act's switch to a first-to-file system); 35 U.S.C. § 297 (2016) (provisions to protect small inventors from invention promoters); 35 U.S.C. § 122(b)(2)(B) (2016) (the American Inventor's Protection Act of 1999 added a provision to opt out of the patent application publication requirement if a patentee agrees not to seek foreign counterparts); *see also* Mark D. Janis, *Patent Abolitionism*, 17 BERKELEY TECH. L.J. 899, 920 n.86 (2002) (discussing patent reform measures in 1990s and legislative history discussing impact of reforms and need to protect small inventors).

Similarly, the USPTO has enacted regulations providing disparate and favorable treatment to small and independent inventors. *See, e.g.*, 37 C.F.R. § 1.27 (2016) (providing reduction in fees to small entities); 37 C.F.R. § 1.28 (2016) (providing refunds to small entities based on certain errors); *see also* 35 U.S.C. § 41(h) (2016) (providing reductions in certain patent fees to qualified small entities).

This Court has in the past instructed courts to consider the interests of small inventors. *See, e.g.*, *eBay Inc.*, 547 U.S. at 393 (noting that self-made inventors may satisfy the four-prong analysis and rejecting a categorical rule that might deny them an injunction). Yet, in refusing to apply *Petrella* to patent cases, the Federal Circuit failed altogether to consider the effect its ruling would have on small inventors, and thus failed to account for the fact that Congress had good reasons to allow patentees to recover damages for infringement going back a full six years.

B. Policy Considerations Do Not Justify the Federal Circuit's Failure to Apply *Petrella* to Patent Cases

The majority of the Federal Circuit suggested that patent cases differ from copyright cases such that there is a greater need to use laches in patent cases. *SCA Hygiene Prods. Aktiebolag*, 807 F.3d at 1330. More specifically, the majority reasoned that laches is more important in patent cases because, unlike in copyright cases, there is no innocent infringer defense in patent cases, making patent infringers less culpable, and more deserving of laches protection, than copyright defendants. This policy argument fails for several reasons.

To begin with, as the dissent in the Federal Circuit correctly noted, the fundamental policy that *Petrella* supports is that of the separation of powers, which applies universally, including in the patent context. *SCA Hygiene Prods. Aktiebolag*, 807 F.3d at 1334. It

is just as improper to apply a judicially-created laches defense to shorten a congressionally-selected limitations period in the Patent Act as it was in the Copyright Act.

Moreover, much of what the Federal Circuit majority considered to be patent-specific reasons for allowing laches to bar legal claims was in fact addressed, and rejected, by this Court in *Petrella*. The majority opinion cautioned that defendants in patent cases could face lawsuits years after they independently create an infringing product, thereby allowing a plaintiff to recover royalties based on six particularly profitable years. *SCA Hygiene Prods. Aktiebolag*, 807 F.3d at 1330. But, as *Petrella* noted, there is nothing wrong with allowing a claim to ripen such that only cases that become "worth the candle" are actually litigated. *Petrella*, 134 S. Ct. at 1976. The alternative, adopted by the Federal Circuit, forces patentees to file suit early and often, or risk losing any potential ability to enforce their rights, based on a judge's after-the-fact evaluation of the "reasonableness" of the delay in bringing suit. Such a policy tends to proliferate litigation that may not otherwise be worth the investment and burden on the parties and the court system. Moreover, the majority's concern about delayed lawsuits is far less acute in the case of patents than copyrights, because patents expire decades earlier than copyrights, necessarily shortening the window of time within which a patent defendant may be subject to liability.

Another flaw in the Federal Circuit majority's policy analysis is that it focused solely on the potential

impact of laches on patent defendants, ignoring plaintiff patentees altogether. The Court should consider any policy implications from all perspectives, a point addressed solely by the Federal Circuit dissent. *SCA Hygiene Prods. Aktiebolag*, 807 F.3d at 1342 (recognizing that there may be good reasons for delay in patent cases). When considering the nature of patent assertions from the plaintiff patentee's viewpoint, the differences between copyright and patent suits provide a stronger policy case against the application of laches in patent cases than in the copyright context addressed in *Petrella*.

The differences in bringing a patent suit versus a copyright suit are significant. Most copyright claims can be ascertained without the need for prolonged analysis prior to bringing suit. In contrast, patent suits require construing the patent claims in view of the patent specification and prosecution history in the USPTO, and applying the claims to the potentially infringing products to determine whether there is a basis to allege infringement. This highly technical evaluation can require a substantial amount of resources, time and money, depending upon the nature of the technology. And, due to a lack of resources, many small inventors must undertake this analysis without the benefit of outside expert help, which lengthens the amount of time needed. In addition, the recent changes to the Federal Rules of Civil Procedure eliminated the model patent infringement complaint in Form 18, which means that a patentee who seeks to bring a lawsuit for infringement must prepare a sufficiently detailed complaint that complies with the pleading

requirements set forth in *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544 (2007) and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009). In sum, patentees need a reasonable period of time to investigate infringement and prepare sufficiently detailed complaints. All of this justifies Congress' decision to provide a six-year limitations period.

Moreover, given the marketplace realities, applying laches may foreclose many small and independent inventors from ever asserting their patent rights. It may not be feasible for small and independent inventors to file suit at the first sign of infringement. Many small and independent inventors lack the resources to constantly monitor the marketplace as readily as larger corporations with in-house or outside intellectual property counsel. Meurer, 45 HOUS. L. REV. at 1234. Moreover, without the in-house counsel that many larger corporations have to support them, small and independent inventors are often at a disadvantage in negotiating potential licenses to avoid litigation. *Id.*

Further, small and independent inventors typically cannot self-fund patent litigation. The average cost of patent litigation through trial (where the amount in controversy is greater than $1 million) ranges between $2.2 million to $6.3 million. *See* American Intellectual Property Law Association, *2015 Report of the Economic Survey* ("AIPLA Report") at I-106-108 (2015). Another layer of cost has arisen with the recent enactment of the new *inter partes* review (IPR) procedure before the Patent Trial and Appeal Board. *See generally In re Cuozzo*, 136 S. Ct. 2131

(2016). The average cost of an *inter partes* review proceeding through appeal is $469,000. AIPLA Report at I-144. The aforementioned costs do not include the upfront expenses that may be incurred by hiring counsel to investigate and prepare pre-filing correspondence with potential infringers, and any expenses incurred to negotiate a settlement.[2] Small and independent inventors often do not have the liquid assets necessary to fund a litigation at the first sign of potential infringement. Meurer, 45 HOUS. L. REV at 1233-34. In many cases, these small and independent firms have limited funds from investors or grants, which are dedicated exclusively to product and market development. Even where the companies have discretion regarding the use of funds, given their limited resources they may be forced to make a Hobson's Choice to either continue product development but not assert their patent rights or shift the company's focus to litigation but

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[2] Also, many district courts have patent-specific local rules that require the patentee to serve detailed patent infringement contentions, including claim charts, in the early stages of litigation. *See e.g.*, U.S. District Court for the Northern District of California, Patent L.R. 3-1 (requiring detailed disclosure of infringement contentions 14 days after Initial Case Management Conference). Further, patent lawsuits usually require technical and economic experts, whose services substantially increase the cost of litigation. Similarly, the new *inter partes* review procedure will often require the patent owner to retain a technical expert.

delay their product development.[3] This can have the perverse and unintended effect of turning companies that have no desire to immediately litigate their patents into patent assertion entities, where the only business of the company effectively becomes patent assertion.

Given these high expenses, many small and independent inventors need to secure alternative financing in order to assert their patent rights. This may entail retaining counsel on a contingency-fee basis or otherwise securing financing to fund a litigation in exchange for a share of the potential recovery. However, both of these options necessarily shift the emphasis of pre-suit investigation from a substantive merits analysis to a cost/benefit analysis.

As with any financing arrangement, the financier will need to assess risk and the potential for return on investment prior to agreeing to take on the risk of funding a litigation. *See, e.g.*, Steven Susser, *Contingency and Referral Fees for Business Disputes a Primer*, MICH. BAR. J. at 37 (Nov. 2011). However, to do so, they will typically require an evaluation of

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[3] As a result, by applying laches courts may create a disincentive for independent and small inventors to seek patent protection out of fear they will not be able to enforce their rights in a timely manner. To discourage inventors from seeking patent protection in this manner undermines the constitutional mandate of promoting the useful arts.

the size of the market and some history of sales of the potential defendant to analyze the potential recovery. In many cases where the sales of the infringer are small at first (*e.g.*, if the infringer is itself a startup or if it takes time to penetrate the market), it may require waiting for years of sales to satisfy a litigation financier that the potential for recovery is worth the investment. *Petrella*, 134 S. Ct. at 1976 ("And there is nothing untoward about waiting to see whether an infringer's exploitation undercuts the value of the copyrighted work ... Even if an infringement is harmful, the harm may be too small to justify the cost of litigation.")

Applying a laches clock that starts when the patentee knew or should have known of the potential infringement in these circumstances can effectively foreclose entirely a patentee's ability to enforce its patent rights, even against the most willful of infringers. Congress provided patentees six years to claim for past damages. When considering the current practical difficulties faced by an independent or small patentee who discovers an infringement, this period of time is eminently reasonable, and should not be curtailed through the application of laches.

C. Recent Changes in the Law Make It More Important than Ever to Allow Independent Inventors Six Years to Recover Damages for Patent Infringement

Recent reforms to the Patent Act and recent judicial precedent, while intended to protect defendants from perceived abuses of the patent system, including by so-called patent trolls, have made it even harder for small inventors to enforce their patent rights. For example, the new *inter partes* review (IPR) procedure permits prior art challenges to the validity of patents under Sections 102 and 103 of the Patent Act. *See* 35 U.S.C. § 311 (2016).[4] Where an infringement lawsuit is pending, an instituted IPR often will prolong the litigation because many lawsuits are stayed pending the outcome of IPR proceedings even where the patentee contests the stay motion. *See* Matt Cutler, *3 Years Of IPR: A Look At The Stats*, LAW360 (Oct. 9, 2015) *available at* http://www.law360.com/articles/699867/print?section=ip. The IPR procedure provides a relatively

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[4] The Patent Act now also provides for post-grant review ("PGR") of patents within nine months of the issuance of the patent. A petitioner may challenge the validity of a patent in a PGR proceeding under any ground set forth in Section 282(b)(2) or (3) of the Patent Act. *See* 35 U.S.C. § 321 (2016). Under the same authority and Section 18 of the AIA, another post-grant review now exists for similar challenges to "covered business method" patents.

streamlined process for defendants to challenge the validity of a patent, and its use has become very popular. *See* http://www.uspto.gov/sites/default/files/documents/2016-01-31%20PTAB.pdf (showing an increasing number of IPR petitions and that the USPTO institutes the vast majority of petitions). Moreover, patent claims challenged in an IPR petition have had an average effective survival rate of only 51%. Cutler at 3. While arguably effective at invalidating patents, IPRs have also added another layer of time and cost to enforcing those patents that survive the IPR, and have increased the risk for inventors and investors who support enforcement efforts.

As a result, the use of the IPR procedure can hinder small inventors from promptly asserting their patent rights. When a patent is subject to an IPR proceeding brought by one accused infringer, financiers may take a wait-and-see approach, waiting for final determination of the IPR by the USPTO and exhaustion of any appeals before agreeing to finance further litigation.

In addition, the recent changes to the Patent Act also created a stringent standard for joinder of multiple defendants in a patent suit. *See* 35 U.S.C. § 299 (2016). Thus, a patentee faced with a multitude of separate infringers now must file separate lawsuits, potentially in a several jurisdictions, eliminating efficiencies, increasing expenses, and potentially creating further delays in bringing suit against all potential infringers.

Some recent court decisions have also made it more difficult for small inventors and patent owners to obtain financing for patent enforcement. In *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) the Court adopted a flexible approach to evaluating obviousness under Section 103 of the Patent Act. However, this approach has made it more uncertain whether a court will conclude that a patented invention would have been obvious to one of ordinary skill in the art. Indeed, it was noted to this Court that such a flexible standard would make it more difficult for small inventors to secure investments given the uncertainty in ascertaining the validity of pending patent applications. *See* Brief of Altitude Capital Partners et al. as *Amici Curiae in Support of Respondents*, *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (No. 04-1350), at 4 ("Similarly, a firm like Altitude Capital Partners will be less inclined to back an independent inventor, or will do so only on much less favorable terms that diminish incentives to innovate, if Altitude cannot predict with reasonable confidence whether the inventor's patents will be upheld in court.")

Most recently, in *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014), the Court addressed patent eligibility under 35 U.S.C. § 101. In the wake of the Court's decision in *Alice*, district courts increasingly find claims to be invalid under Section 101, and the precise contours of Section 101 are being developed on a case-by-case basis. *See* Steven Callahan, *Alice: The Death of Software-Related Patents?*, ND TEX BLOG (May 1, 2015). As a result, *Alice* has affected

investment and licensing, particularly in the software field.

The practical impact of all these recent changes to the patent system on small businesses and independent inventors has been profound. Small and independent inventors looking to enforce their patent rights or to sell or license their patent assets now face tougher scrutiny due to the uncertainty surrounding the validity of their patents. Investors are less likely to invest in small businesses or to fund litigations where the risks associated from, for example, an *Alice* challenge makes it more difficult to value the patent assets. Moreover, infringers may be less likely to settle disputes and take licenses because they can mount a multi-tiered defense that may combine a prior art challenge in an IPR and an *Alice* challenge in court.

While these judicial and legislative developments have often benefited defendants and made it harder for abusive patent owners to assert their patents, it also has made it much more difficult for legitimate small inventors to enforce or license their valid and innovative patent rights. Even mainstream media outlets have recognized the problems these reforms have created for the small and independent inventors. *See, e.g., http://www.popularmechanics.com/technology/a21181/greatest-american-invention/* (accessed on July 7, 2016).

In light of the current situation facing individual or small inventors, it makes more sense than ever to straightforwardly apply Congress' six-year

limitations period, and less sense than ever to undermine these statutory protections by imposing judicially-created laches.

III.
CONCLUSION

For the foregoing reasons, Amici respectfully submit that this Court should reverse the *en banc* decision of the Federal Circuit and hold that laches cannot bar an otherwise timely claim for legal relief for patent infringement if filed within the statutory period set forth in Section 286 of the Patent Act.

Respectfully submitted,

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SCA Hygiene Products Aktiebolog
and SCA Personal Care Inc.,
Petitioners,
v.
First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., and First Quality Retail Services, LLC,
Respondents.

On Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit

BRIEF OF THE AMERICAN BAR ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF PETITIONERS

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QUESTION PRESENTED

The question presented is as follows:

Whether, and to what extent, patent laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.

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STATEMENT OF INTEREST[1]

The American Bar Association (ABA) submits this brief in support of the petitioner and urges this Court to hold that the doctrine of laches cannot be applied to bar pre-suit legal damages in patent cases during the statutory six-year damages period, absent extraordinary circumstances under which injunctive relief or other prospective equitable relief is necessary

The ABA is the leading national organization of the legal profession, with more than 400,000 members from all 50 states, the District of Columbia and the U.S. territories. Membership is voluntary and is comprised of attorneys in private practice, government service, corporate law departments and public interest organizations. ABA members represent the full spectrum of public and private litigants, including judges, legislators, law professors,

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[1] Pursuant to Rule 37.6, *amicus curiae* certifies that no counsel for a party authored this brief in whole or in part and that no person or entity, other than *amicus*, its members or its counsel, has made a monetary contribution to the preparation or submission of this brief. Sup. Ct. R. 37.6. Further, *amicus curiae* certifies that Petitioners have provided blanket consent and Respondents have provided consent as well.

law students and non-lawyer "associates" in related fields.[2,3]

The ABA Section of Intellectual Property Law ("IPL Section"), which was established in 1894, is now the world's largest organization of intellectual property professionals. The IPL Section has approximately 20,000 members, including attorneys who represent patent owners, accused infringers, individual inventors, large and small corporations and universities and research institutions across a wide range of technologies and industries. The IPL Section works to promote the development and improvement of intellectual property law and takes an active role in addressing proposed legislation, administrative rule changes and international initiatives regarding intellectual property It also develops and presents resolutions to the ABA House

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[2] Neither this brief nor the decision to file it should be interpreted to reflect the views of any judicial member of the American Bar Association. No inference should be drawn that any member of the Judicial Division Council has participated in the adoption or endorsement of the positions in this brief. This brief was not circulated to any member of the Judicial Division Council prior to filing.

[3] Only the recommendations adopted by a vote of the ABA's House of Delegates (but not their accompanying reports) become ABA policy. The House of Delegates is composed of 560 delegates representing states and territories, state and local bar associations, affiliated organizations, sections and divisions, ABA members and the Attorney General of the United States, among others. *See* ABA, *House of Delegates - General Information*, http://www.americanbar.org/groups/leadership/delegates.html (last visited May 14, 2016).

of Delegates for adoption as ABA policy to help foster necessary changes to intellectual property law.[4]

Through a collaborative process, the diverse members of the IPL Section have developed a consensus position on the question as to whether, and to what extent, patent laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period codified at 35 U.S.C. § 286. This position, articulated as follows, was adopted as ABA policy in February 2016:[5]

> [T]he American Bar Association supports interpretation and application of the statutory six-year patent damages period (35 U.S.C. § 286) as limiting availability of the judicially created laches defense as a bar to legal damages for patent infringement; and
>
> ... supports interpretation and application of the statutory six-year patent damages period as not limiting availability of laches as a defense where equitable relief is sought.

The ABA's adoption of this policy was driven by certain core values of the legal system, specifically,

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[4] *See* http://www.americanbar.org/news/reporter_resources/midyear-meeting-2016/house-of-delegates-resolutions/108b.html (last visited July 8, 2016).

[5] ABA Policy 108B, without its attendant Report, accompanies this brief as an appendix, and is available with its Report at http://www.americanbar.org/content/dam/aba/administrative/house_of_delegates/resolutions/2016_hod_midyear_meeting_108B.docx.

deference to statutes enacted by Congress and policy rationale favoring non-litigation dispute resolution, where possible.

SUMMARY OF ARGUMENT

In *Petrella v. Metro-Goldwyn-Mayer*, 1354 S. Ct. 1962 (2014), the Court held that the doctrine of laches cannot bar a claim for damages brought within the three-year window for recovering relief established by the Copyright Act because the statute takes delay into account. The Court's holding in *Petrella* applies equally to patent cases, which include similar limitations on the recovery of relief based on a plaintiff's delay. Nothing in the Patent Act, its legislative history, or the common law compels a different conclusion. Moreover, sound judicial policy supports extending *Petrella* to patent cases. For years, in response to calls for patent litigation reform, Congress and the courts have been working to reduce the filing of unsubstantiated claims of patent infringement. Retaining laches to bar legal damages in patent cases, however, will continue to encourage rushed, premature filings, and discourage non-litigation resolutions such as settlement. Finally, retaining laches as a defense in extraordinary circumstances to curtail prospective equitable relief would provide adequate protection against prejudicial delay by parties, and equitable estoppel will protect those defendants who were misled by the promises or actions of a plaintiff.

In *Petrella*, the Court also correctly held that in egregious circumstances laches may limit injunctive relief. Accordingly, the ABA urges this Court to hold

that the doctrine of patent laches should not be applied to bar pre-suit legal damages in patent cases during the statutory six-year damages period, but should be available under extraordinary circumstances to prohibit resort to injunctive relief when appropriate.

ARGUMENT

I. THIS COURT'S *PETRELLA* HOLDING APPLIES TO PATENT CASES.

The ABA's position in this case is dictated by the Court's holding in *Petrella v. Metro-Goldwyn-Mayer*, 1354 S. Ct. 1962 (2014), that a laches defense is not available where a statute has a damage-limitations period that already accounts for delay. The Court's holding in *Petrella* applies equally to patent cases because the Patent Act also includes limitations on recovery based on a plaintiff's delay.

In *Petrella*, this Court examined whether the equitable defense of laches could bar damage relief on a copyright infringement claim brought within a three-year limitations period. The Court held that it could not: "[l]aches, we hold, cannot be invoked to preclude adjudication of a claim for damages brought within the three-year window" of the Copyright Act. *Petrella*, 1354 S. Ct. at 1967. In so holding, the Court noted that the principal purpose of a laches defense is to supply relief from claims for which there was no applicable statute of limitations. Where Congress has provided a statutory limitations period, as in the Copyright Act, that limitations period indicates the

Congressional view as to unacceptable delay, making resort to the laches doctrine unnecessary.

The Copyright Act and the Patent Act contain similar limitations periods. The Copyright Act provides that "[n]o civil action shall be maintained unless it is commenced within three years after the claim accrued." 17 U.S.C. § 507(b). Similarly. the Patent Act mandates that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." 35 U.S.C. § 286. Although the Copyright Act's limitation could be labeled a statute of limitations and the Patent Act's limitation a damages-limitation period, as the Federal Circuit noted below any difference between the two labels "is irrelevant to the resolution of this case under *Petrella*." *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 807 F.3d 1311, 1321 (Fed. Cir. 2015).

Nothing in the Patent Act, its legislative history, or the case-law justifies deviating from the Court's reasoning in *Petrella*. The statute's text provides no language incorporating a laches defense, or even a suggestion of intent by Congress to establish a laches defense in patent cases. Nor is there unambiguous legislative history or a sufficiently developed common law to contradict that interpretation.

To the contrary. in at least one case predating enactment of 35 U.S.C. § 286, the Court held that "[l]aches within the term of the statute of limitations is no defense at law " *United States v. Mack*, 295 U.S.

480, 489 (1935). Presuming the statute intended to retain the substance of common law at the time it was enacted, *Mack* suggests that Congress did not enact Section 282 of the Patent Act with an intent to preserve a laches defense, and the inclusion of a six-year damages window in Section 286 only reinforces that conclusion. Expanding laches to bar claims brought within the limitations period would not only contradict previous decisions of this Court, it would preclude the uniformity sought by Congress. *Petrella*, 1354 S. Ct. at 1974-75.

II. SOUND JUDICIAL POLICY COUNSELS AGAINST APPLYING LACHES TO PATENT DAMAGES.

A. LACHES ENCOURAGES RUSHED FILINGS

Patent litigation is among the most complex and lengthy types of litigation faced by parties and courts,[6] often requiring the use of Special Masters for claim construction.[7] The laches defense acts as a bar to claims for damages occurring within the six-year limitations period and, thereby, serves as a strong incentive to patent holders to quickly file claims of infringement. Out of fear that they may lose rights if they do not act quickly enough, laches encourages patentees to file prematurely—before the allegations of infringement have crystalized, the investigation of

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[6] *See* Jennifer F Miller, *Should Juries Hear Complex Patent Cases*, 2004 Duke Law & Technology Review 4.

[7] *See* Neil A. Smith, *Complex Patent Suites: The Use of Special Masters for Claim Construction*, 2 Landslide 1, Sept.-Oct. 2009 http://www.americanbar.org/content/dam/aba/events/dispute_resolution/Smith_Complex_Patent_Suits.authcheckdam.pdf.

the facts is complete, and assessment of applicable defenses has been vetted fully. Retaining laches as a defense also requires patent owners to mount an expensive and likely lengthy federal lawsuit to stop seemingly innocuous infringements, even those that appear not yet to amount to a harm worthy of policing. This incentivizes litigation over other approaches, such as marketplace competition or industry partnerships such as those favored by research universities. It also may disproportionately impact those entities with large patent portfolios, such as manufacturers, for which it may be a struggle to actively police infringement.

The dilemma laches creates for intellectual property owners is far from fiction: plaintiffs risk either losing their right to recover, or sometimes choosing to rush to file before having all of the evidence or having completed negotiations, and risk litigating a weaker case and even the imposition of sanctions.[8] A patentee deemed to have slept on their rights by "failing to exercise timely its right to exclude in effect, *authorizes the public to infringe*—to 'make, use, offer to sell, or sell' a patented invention—during the laches period." *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259, 1273 (Fed. Cir. 1999) (emphasis added). The period of delay triggering this rescission of patent rights is measured from the time that the patentee knew *or should have known* of the defendant's infringement, with the patentee having

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[8] The Fourth Circuit has described laches as applied in trademark cases as creating a filing conundrum, putting potential plaintiffs on the "horns of a dilemma." *Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 461-62 (4th Cir. 1996).

an affirmative duty to police the market for infringement. *Wanlass v. General Elec. Co.*, 148 F.3d 1334, 1338 (Fed. Cir. 1998).

As a result, courts have ruled that the laches doctrine barred recovery in cases involving delays of only three or four years, well short of the six-year statutory period. *Rosemount, Inc. v. Beckman Instruments, Inc.*, 727 F.2d 1540, 1550 (Fed. Cir. 1984); *MCV, Inc. v. King–Seeley Thermos Co.*, 870 F.2d 1568, 1571–72 (Fed. Cir. 1989). In a recent case, the U.S. Court of Appeals for the Federal Circuit upheld a laches defense to a patent infringement claim based on a period of delay of a mere five months. *Romag Fasteners, Inc. v. Fossil, Inc.*, 817 F.3d 782, 784 (Fed. Cir. 2016).

The significant incentives that now exist for rational patent owners to rush to file to avoid a laches-based bar is in direct conflict with the efforts of the Court and of Congress to discourage patent owners from filing vague, premature, or overly aggressive complaints of patent infringement. Specifically, it contradicts efforts to curb "patent trolling"—the overly aggressive filing or threat of filing of unsubstantiated, frivolous claims of patent infringement. To deter premature filings of complaints in patent cases, on December 1, 2015, the Court abolished Rule 84 of the Federal Rules of Civil Procedure, putting an end to the use of Form 18's notice pleading and the filing of complaints that merely allude to patent infringement.[9]

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[9] The new rules were adopted on April 29, 2015. Letters from Chief Justice John G. Roberts to Speaker John A. Boehner and

Over the last several years, Congress has been working diligently to pass legislation to curb patent litigation abuses. Among the list of important provisions included within this legislation are those intended to discourage patent owners from filing premature and incomplete claims of infringement by requiring patent owners to provide within the original complaint or initial disclosures highly-detailed, fact-based allegations of infringement.[10] On October 22, 2014, Senator Orrin Hatch, the Chairman of the Senate Republican High-Tech Task Force, unveiled an innovation agenda for the 114th Congress that sought to discourage abusive patent litigation by, in part, requiring heightened pleading standards in all patent cases.[11] In his 2014 State of the Union

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Vice President Joseph R. Biden (April 29, 2015), *available at* http://www.supremecourt.gov/orders/courtorders/frcv15_5h25.pdf; The National Law Review, *Supreme Court Adopts Amendments to Federal Rules That May Deter Patent Infringement Lawsuits, Especially Those Filed by Non-Practicing Entities*, http://www.natlawreview.com/article/supreme-court-adopts-amendments-to-federal-rules-may-deter-patent-infringement#sthash.NU8URFvA.dpuf (Nov. 3, 2015).

[10] S. 1137, the "Protecting American Talent and Entrepreneurship Act (PATENT Act)" and H.R. 9, the "Innovation Act"; *see also* Brian T. Yeh and Emily M. Lanza, Congressional Research Service Report, *Patent Litigation Reform Legislation in the 114th Congress* (July 19, 2015) ("The Innovation Act and the PATENT Act would require parties alleging patent infringement in a civil action to include in the court pleadings specified details concerning each claim of each patent infringed, and the acts of the alleged infringer.").

[11] Press Release of Senator Orrin Hatch, *Hatch Unveils Innovation Agenda for the 114th Congress* (Oct. 22, 2014)

Address, President Obama called on Congress to help curb frivolous patent litigation.[12]

Discouraging patent owners from rushing to file complaints in federal court, or from suing over mere minor infringements, has been a priority for all three branches of Government. Maintaining a legal regime that encourages rush filing is in conflict with those efforts. To achieve uniformity, and avoid incentivizing "patent trolling" and premature patent infringement litigation, the Court should hold that patent laches may not be invoked to preclude a claim for damages brought within the Congressionally-prescribed time window.

B. LACHES DISCOURAGES SETTLEMENT

Retaining laches, despite the Congressionally-mandated six-year statutory limitations period, will also discourage pre-suit settlement negotiations. A patent owner's engagement in license negotiations will not necessarily excuse delay, particularly where those discussions start and stop, as they often do. *A.C. Aukerman Co. v. Miller Formless Co.*, 693 F.2d 697, 700 (7th Cir. 1982). Rather than encouraging

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http://www.hatch.senate.gov/public/index.cfm/releases?ID=64333cc6-14bc-469e-ade7-213b956eef71.

[12] On January 29, 2014, in his State of the Union Address to Congress, President Obama called on Congress to "pass a patent reform bill that allows our businesses to stay focused on innovation, not costly and needless litigation." Kate Tummarello, The Hill, *President calls for patent reform in SOTU* (Jan. 28, 2014). http://thehill.com/policy/technology/196754-obama-calls-for-patent-reform.

patent owners to take the time to work through complicated licensing negotiations and validity disputes out of court, retaining laches encourages patent plaintiffs to break off those discussions early and rush to court out of fear of an assertion of laches.

III. ADEQUATE PROTECTIONS WILL REMAIN FOR PARTIES SUED FOR PATENT INFRINGEMENT

Petrella's holding allows for laches to continue to bar, in egregious circumstances, claims for injunctive relief or other prospective equitable relief. *Petrella*, 1354 S. Ct. at 1977-78. Where the patent owner's delay is egregious, such that the unreasonable delay in bringing suit is necessary to protect a substantial business investment, the patent owner should not be entitled to injunctive relief.

Requesting that the Court remove laches as a defense to pre-suit damages, while also recommending that it prohibit recovery of injunctive relief in egregious circumstances, is not asking the Court to take inconsistent positions. Rather, it is simply advocating following *Petrella*, where the Court noted that allowing a suit for damages within the statutory window "will put at risk only a fraction of the income" the accused infringer has earned during the entire term. *Petrella*, 1354 S. Ct. at 1978. The absence of laches will work no unjust hardship on innocent third parties, such as consumers who have already purchased covered products. *Id.* Prohibiting injunctive relief in egregious cases seems a reasonable exception needed to protect an infringer's

substantial business investment undertaken based on an indisputable belief that the patent owner would not sue.

In the face of true misconduct by the patent owner, parties accused of patent infringement may avail themselves of the equitable estoppel defense. While equitable estoppel requires "affirmative conduct by the patentee inducing the belief that it abandoned its claims against the alleged infringer," laches requires no such misleading acts by the patent owner. *A.C. Aukerman Co.*, 960 F.2d at 1042. Instead, laches can be found based on the silence or inaction of the patent owner in the face of mere constructive knowledge of infringement. *Id.* at 1042–43. Therefore, equitable estoppel is the appropriate mechanism for policing true misconduct by the patent owner, and does not create the same incentives to rush to litigate that laches does. Moreover, where applicable, the equitable estoppel defense serves as a *complete bar* to a patent owner's claim of infringement when the patent owner engages in intentionally misleading conduct. *Id.* at 1043 (emphasis added).

Neither will the removal of laches as a defense to damages within the damages window affect defenses challenging the validity of a patent. Claims that it will do so have been grossly overstated.[13] Most patents are invalidated based on a showing that

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[13] Brief of Electronic Frontier Foundation et al. as Amici Curiae in Support of Defendants-Appellees at 6, *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 807 F.3d 1311, 1321 (Fed. Cir. 2015) (No. 2013-1564) (arguing that evidence may be needed to prove that a publication was publicly available).

someone other than the patent owner was the first to invent.[14] 35 U.S.C. §§ 102, 103. This is proven primarily based on earlier patents or other widely available publications describing the invention—prior art.[15] While at some point in our history published documents may have been hard to find, in this modern digital age, such evidence of prior invention will always remain accessible at the click of a mouse.[16] The internet provides digital permanence—what goes on the internet stays there. Digital archives, such as the Wayback Machine, capture and preserve nearly everything published on the internet.[17] The loss of the laches defense will

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[14] Consistent with the America Invents Act of 2011, the U.S. switched to a first-inventor-to-file system, effective March 16, 2013.

[15] While 35 U.S.C. § 102 defines prior art as inventions described in a patent, printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention, the vast majority of claims are rejected or invalidated based on earlier patents or other printed publications. *See e.g.*, Manual of Patent Examining Procedure § 2256, *Prior Art Patents and Printed Publications Reviewed by Examiner in Reexamination* [R-07.2015] ("Typically, the primary source of prior art will be the patents and printed publications cited in the request for ex parte reexamination.").

[16] Few if any patent applications that were filed during the period of the establishment of the original internet-based companies, often referred to as the "dot-com" era, around 1995 or so, remain viable at this point. Many have already been rendered unenforceable for failure to pay escalating USPTO patent maintenance fees, or have either expired or are about to expire. This is because, for patent applications filed after June 8, 1995, the patent term lasts 20 years from the filing date of the earliest application to which priority is claimed.

[17] *See In re Epstein*, 32 F.3d 1559 (Fed. Cir. 1994) (Database printouts of abstracts which were not themselves prior art publications were properly relied on as providing evidence that

likely have no real effect on future accused infringers' ability to mount an invalidity defense, because in the age of digital permanence, there is little risk that evidence necessary to an invalidity defense will be lost.

In *Petrella*, the Court rejected arguments that laches was needed to encourage plaintiffs to file earlier to preserve evidence useful to defending against liability and avoid prejudice to the defendant caused by lost documents or fading memories. It noted instead that the passage of time "is at least as likely to affect plaintiffs [who have the burden of proving infringement] as it is to disadvantage defendants." *Petrella*, 134 S. Ct at 1076-77. Concerns regarding the potential loss of evidence during the significantly shorter twenty-year patent term would appear to provide even less justification for preserving the laches defense than under the Copyright Act's much longer term of the life of the author plus 70 years.

CONCLUSION

For the foregoing reasons, the ABA respectfully submits that this Court should hold that the doctrine of patent laches cannot be applied to bar pre-suit legal damages in patent cases during the statutory six-year damages period, but is available under extraordinary circumstances to curtail claims for injunctive relief and other prospective equitable relief.

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the software products referenced therein were "first installed" or "released" more than one year prior to applicant's filing date).

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July 22, 2016

Appendix

APPENDIX – ABA RESOLUTION NO. 108B

AMERICAN BAR ASSOCIATION

ADOPTED BY THE HOUSE OF DELEGATES
February 8, 2016

RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period (35 U.S.C. § 286) as limiting availability of the judicially created laches defense as a bar to legal damages for patent infringement; and

FURTHER RESOLVED, That the American Bar Association supports interpretation and application of the statutory six-year patent damages period as not limiting availability of laches as a defense where equitable relief is sought

Supreme Court, U.S.
FILED
JUL 22 2015
OFFICE OF THE CLERK

No. 15-927

IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG, ET AL.,

Petitioners,

—v.—

FIRST QUALITY BABY PRODUCTS, LLC, ET AL.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION IN SUPPORT OF NEITHER PARTY

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STATEMENT OF INTEREST

The American Intellectual Property Law Association ("AIPLA") is a national bar association of approximately 14,000 members who are primarily lawyers engaged in private and corporate practice, in government service, and in the academic community.[1] AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

AIPLA has no interest in any party to this litigation and no stake in the outcome of this case,

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[1] In accordance with Supreme Court Rule 37.6, amicus curiae states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than the amicus curiae and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA or its members who authored this brief and their law firms or employers made a monetary contribution to the preparation or submission of this brief.

other than its interest in the correct and consistent interpretation of law affecting intellectual property.[2]

SUMMARY OF ARGUMENT

Consistent with this Court's decision in *Petrella v. Metro-Goldwyn-Mayer*, Inc., 134 S.Ct. 1962 (2014), the Federal Circuit decision in *SCA Hygiene Products Aktiebolag SCA Personal Care, Inc. v. First Quality Baby Products, LLC*, 807 F.3d. 1311 (2015), should be reversed. The laches ruling in *Petrella* for copyright law applies equally to patent law, precluding a laches defense to a claim for damages based on patent infringement occurring within the six-year damages limitations period under 35 U.S.C. § 286.

As this Court explained, where Congress has specifically enacted a limitations period to bring a claim, laches cannot be used to override clear congressional intent. *Petrella*, 134 S.Ct. at 1967. In the Patent Act, Congress expressly provided such a specific period of time within which a plaintiff may seek damages for patent infringement. 35 U.S.C. § 286. Accordingly, while a substantial delay that prejudices a defendant may warrant barring equitable relief, laches cannot bar all relief for infringement during the six-year limitations period. Due regard for the statute, the legislature, and patent policy goals militate against allowing laches

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[2] In accordance with Supreme Court Rule 37.3(a), the parties have consented to the filing of this amicus brief in support of neither party. Petitioners have filed a blanket consent with the Court, and counsel for Respondents has conveyed its consent in an email to AIPLA which has been filed with the Court.

to bar the legal remedy of damages for infringing acts within the limitations period. Just as "there is nothing at all 'differen[t]' ... about copyright cases in this regard" *Petrella* at 1974, so too there is nothing unique about patent law that requires a different rule for laches than the one reached by this Court in *Petrella*.

Additionally, to the extent the Federal Circuit holding in *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) is contrary to *Petrella*, the *Aukerman* decision should be overruled.

BACKGROUND

I. The Doctrine of Latches

Laches originated as a judicially created doctrine in the English courts of equity to provide a means for limiting stale claims where statutes of limitations did not apply. As this Court explained:

> From the beginning, equity, in the absence of any statute of limitations made applicable to equity suits, has provided its own rule of limitations through the doctrine of laches, the principle that equity will not aid a plaintiff whose unexcused delay, if the suit were allowed, would be prejudicial to the defendant.

Russell v. Todd, 309 U.S. 280, 287 (1940).

By prohibiting stale claims, the laches doctrine serves to protect a defendant from suffering

harm as a result of a plaintiff's unreasonable delay. Laches "requires proof of (1) lack of diligence by the party against whom the defense is asserted, and (2) prejudice to the party asserting the defense." *Costello v. United States*, 365 U.S. 265, 282 (1961).

Patent law recognizes laches and equitable estoppel as distinct defenses. Unlike laches, equitable estoppel may bar a plaintiff's claim entirely.

II. Statutes of Limitations

Like laches, statutes of limitations also serve to ensure fairness to defendants. A defendant is provided certainty that it will not be held accountable for damages after a codified period of time has lapsed. "Statutes of limitations are designed to promote justice by preventing surprises through the revival of claims that have been allowed to slumber " *Order of R. R. Telegraphers v. Ry. Express Agency, Inc.*, 321 U.S. 342, 348-49 (1944).

In this regard, statutes of limitation help to ensure the accuracy of the evidence by limiting the time in which evidence may be lost, memories may fade, and witnesses may disappear. *Id.*

> The process of discovery and trial which results in the finding of ultimate facts for or against the plaintiff by the judge or jury is obviously more reliable if the witness or testimony in question is relatively fresh. Thus in the judgment of most legislatures and courts, there comes a point at which the delay

> of a plaintiff in asserting a claim is sufficiently likely to impair the accuracy of the fact-finding process

Bd. of Regents v. Tomanio, 446 U.S. 478, 487 (1980), overruled on other grounds by *Wilson v. Garcia*, 471 U.S. 261, 276 (1985).

> While time is constantly destroying the evidence of rights, [statutes of limitations] supply its place by a presumption which renders proof unnecessary. Mere delay, extending to the limit prescribed, is itself a conclusive bar. The bane and antidote go together.

Wood v. Carpenter, 101 U.S. 135 (1879).

Statutes of limitations promote efficiency in the courts by limiting stale claims and clearing federal dockets. Statutes of limitations also reduce the costs associated with the uncertainty of whether a defendant will be foreclosed from pursuing its alleged misconduct, such as allegedly infringing a competitor's patent claims.

This Court in *Chase Sec. Corp.* explained the distinction between statutes of limitations and laches. *Chase Sec. Corp. v. Donaldson*, 325 U.S. 304, 314 (1945). Statutes of limitation are pre-determined and fixed whereas laches is left to a judge's discretion. Statutes of limitations do not distinguish between excusable delay and unavoidable delay. They are meant to ensure an objective, not discretionary, result or remedy

> Statutes of limitation find their justification in necessity and convenience rather than in logic. They represent expedients, rather than principles. They are practical and pragmatic devices to spare courts from litigation of stale claims, and the citizen from being put to his defense after memories have faded, witnesses have died or disappeared, and evidence has been lost *They are by definition arbitrary, and their operation does not discriminate between just and the unjust claim, or the voidable and unavoidable delay.*

Chase Sec. Corp. v. Donaldson, 325 U.S. at 314 *(internal citations omitted) (emphasis added).*

As such, laches and statutes of limitation are fundamentally different. Laches affords a court the discretion to distinguish between just and unjust delay. In contrast, statutes of limitations set a fixed period of time in which a plaintiff can seek relief.

ARGUMENT

I. This Court's Holding in *Petrella* Mandates that Laches Is Not a Defense to Legal Relief

In *Petrella*, this Court held that "laches cannot be invoked to bar legal relief." Rather, laches' "principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Petrella*, 134 S.Ct. at 1973. Laches serves as a gap filler to be used by courts only where Congress fails to provide a

codified remedy for evaluating the timeliness of a claim. *Id.* at 1973-74.

Under *Petrella*, laches cannot apply in the face of the six-year period of 35 U.S.C. §286 within which Congress has expressly permitted claims for damages. Applying laches to shorten this prescribed period for seeking damages would circumvent Congress's intent and the very purpose of the statute of limitations. It would create an improper judicial hurdle to obtaining relief for acts occurring within a congressionally prescribed period for bringing infringement claims. Accordingly, "in face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief..." *Id.* at 1974.[3]

Nevertheless, the majority of the *en banc* Federal Circuit held that laches applies to bar legal relief in patent cases. In contravention of this Court's clear holding in *Petrella*, the majority in *SCA* held that laches can bar a claim for damages within the six-year limitations period set forth in the Patent Act. *SCA*, 807 F.3d at 1317. This ruling deprives a plaintiff of its adequate opportunity to enforce its rights, in contravention of Congress's expressly stated intent. "If Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter." *Petrella*, 134 S. Ct. at 1973 (quoting *Holmberg v. Armbrecht*, 327 U.S. 392, 395 (1946)).

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[3] Courts can, however, consider a plaintiff's delay in commencing suit in determining appropriate injunctive relief and profits to a plaintiff who prevails. *Petrella*, 134 S. Ct. at 1978.

Because the Federal Circuit decision directly conflicts with this Court's ruling in *Petrella*, it should be reversed.

Section 286 of the Patent Act sets forth Congress' express definition of the period in which damages can be recovered in a patent infringement action:

> Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action. 35 U.S.C. § 286.

Like the Ninth Circuit in *Petrella*, the Federal Circuit in *SCA* failed to fully recognize that the limitations period set forth in in 35 U.S.C. § 286 itself takes account of delay. *See Petrella*, 134 S.Ct. at 1973 ("The Ninth Circuit erred, we hold, in failing to recognize that the [statute of limitations] itself takes account of delay") To allow laches to bar damages during the prescribed period for legal relief improperly overrides and negates the very purpose of 35 U.S.C. § 286. Under this statute, no recovery may be had for infringement exceeding beyond the six-year time period. Delay in bringing a patent infringement suit thus bars recovery of a defendant's profits made outside the codified six-year window

If the Federal Circuit decision is affirmed, patent owners will be pressured to commence litigation shortly after learning of a potential infringement, simply to avoid the risk that

compensatory damages for their claims may be barred completely by laches.

Treating 35 U.S.C. § 286 as a fixed time frame for seeking damages allows a plaintiff time to proceed deliberately upon learning of a potential infringement. It permits the plaintiff to investigate its claim, consult with counsel, contact the accused party, conduct settlement discussions, and consider whether litigation is necessary or appropriate. *See* Gail L. Heriot, *A Study in the Choice of Form: Statutes of Limitation and the Doctrine of Laches*, 1992 B.Y.U. L. REV 917, 941 (1992) (a rigid rule allows for "amicable settlements when otherwise the anxious potential plaintiff might be forced to file a law suit for fear of being time barred.").

Under the law in most circuits, a plaintiff must commence litigation quickly to seek a preliminary injunction, but she is not required to do so simply to pursue damages. *Petrella* at 1978. If the Federal Circuit decision is affirmed, plaintiffs may feel obligated to commence litigation prophylactically simply to preserve a claim for damages, with the result that some litigation will be premature, unnecessary, and a waste of judicial and party resources.

The legal remedy provided by 35 U.S.C. § 286 should not be undermined by the application of laches given that Congress has determined the applicable temporal limitation on such legal remedies.

II. No Factors Unique to Patent Law Warrant a Different Rule from *Petrella*

The Federal Circuit decision appears to be premised on the notion that differences found in patent law warrant a different rule for laches. More particularly. Section 286 limits only the period for recovery of damages, and does not, by its terms, bar all relief. As such, Section 286 is not a full statute of limitations. As the appellate court concluded, however, this distinction is "irrelevant." *Id.* at 1321. That determination should have been an end to the inquiry because this Court's holding in *Petrella* is controlling.

To support its holding that patent law is distinct, the Federal Circuit relied upon a different provision of the Patent Act, namely 35 U.S.C. § 282. Section 282(b) provides, in part, as follows:

> Defenses.—The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> (1) Noninfringement, absence of liability for infringement or **unenforceability**.

(Emphasis added.)

The Federal Circuit held that, by including the defense of unenforceability, Section 282 "codified the laches defense," and made *Petrella* inapplicable. *SCA*, 807 F.3d at 1322.

The Federal Circuit interpretation of Section 282 is based upon scant legislative history, as the cited sentences in the House and Senate reports do not specifically address laches. *Id.* at 1322. Instead, the appellate court relies heavily on statements by P.J. Federico, a principal draftsman of the 1952 Patent Act. *Id.* at 1318, *citing* P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1, 55 (West 1954). This reliance is misplaced. As stated by Judge Hughes in his dissenting opinion, the statutory language in Section 282 is "ambiguous at best." Further, an inference that Congress departed from the common law principle and decided that laches may be raised as a defense against a remedy at law, he continued, cannot properly rest upon a statement by an individual who, while central to the drafting of the Patent Act, was not a member of Congress voting on the measure. *Id.* at 1336.

As Judge Hughes also stated, "the only interpretation of [Mr. Federico's] statement [that laches is a defense] that is consistent with 35 U.S.C. § 286 is that Mr. Federico was referring to laches as a defense to equitable relief only." *Id.* Any other interpretation conflicts with this Court's precedent and established common law doctrine. *Id.* at 1337.

In support of its conclusion, the Federal Circuit also relied upon pre-1952 patent infringement actions applying laches to bar legal relief. However, as the dissent explained, analysis of the common law must begin with Supreme Court precedent, which clearly and consistently held that laches is no defense at law. *U.S. v. Mack*, 295 U.S.

480, 489 (1935); *Cross v. Allen*, 141 U.S. 528, 537 (1891). Indeed, even the dissent in *Petrella* failed to come up with a single case in which "this Court has approved the application of laches to bar a claim for damages within the time allowed by a federal statute of limitations." *Petrella*, 134 S.Ct. at 1974.

Further, the Federal Circuit did not provide sufficient support for its conclusion that, at the time the 1952 Patent Act was passed, it was uniformly well-established that laches is available to bar legal damages. The appellate court relied primarily on two appellate court cases: *Ford* and *Banker*. The *Ford* holding rested on a finding of equitable estoppel, notwithstanding its use of the term laches in dictum. *Ford v. Huff*. 296 F 652, 657 (1924). The *Banker* decision extended the holding in *Ford*, however, the decision is premised upon a misunderstanding of Section 274(b) of the Judicial Code. Section 274(b), which allowed equitable defenses to be interposed in actions at law, merely obviated the need to file a separate action on the equitable side of the court. It did not alter the substantive application of legal and equitable defenses. *Banker v. Ford Motor Co.*, 69 F.2d 665,666 (1934). *See also Enelow v. N.Y Life Ins. Co.*, 293 U.S. 379, 382 (1935), *rev'd on other grounds by, Gulfstream Aerospace Corp. v. Mayacames Corp., 485 U.S. 271 (1988).*

Even if, arguendo, Section 282 does codify laches, there is nothing to suggest that it changed laches to interfere with a legislatively enacted statute of limitations prescribing the period in which legal relief may be sought. The Federal Circuit's

reliance on 35 U.S.C. § 282 to expand the scope of the laches defense to 35 U.S.C. § 286 mirrors a theory advanced by the defendants in *Petrella*, which this Court expressly rejected. In *Petrella*, the defendants argued that the laches defense listed in Federal Rule of Civil Procedure 8(c) provides that "laches is 'available ... in every civil action' to bar all forms of relief," including the relief for damages brought within the Copyright Act's three-year limitations period. *Petrella* at 1974. When the *Petrella* Court asked whether laches can apply when there is an ordinary six-year statute of limitations, the defendants responded that "case-specific circumstances might warrant a ruling that a suit brought in year five came too late." *Petrella* at 1974. Rejecting this argument, the *Petrella* Court stated:

> *Inviting individual judges to set a time limit other than the one Congress prescribed, we note, would tug against the uniformity Congress sought to achieve when it enacted* § 507(b).

Id. at 1974-75 (emphasis added).

Here, *SCA*'s holding permits the very judicial activity this Court refused to allow in *Petrella*, namely inviting individual judges to set a time limit other than the one Congress prescribed. But *Petrella* makes clear that "courts are not at liberty to jettison Congress' judgment on the timeliness of suit. Laches ... cannot be invoked to preclude adjudication of a claim for damages brought within the [prescribed window for relief]." *Petrella* at 1967

III. *Aukerman* Should Be Overruled in View of *Petrella*

The Federal Circuit holding in *SCA* followed the Federal Circuit's earlier decision in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992). *Aukerman* held that laches can bar a plaintiff's claim for damages from patent infringement—even when that claim is brought within the time period prescribed by Congress. This conclusion was also premised on the view that Section 282 codified the doctrine of laches as discussed above. According to *Aukerman*, the merger of law and equity allows for the interposition of a laches defense in actions at law for damages. To the extent the *Aukerman* decision contradicts this Court's holding in *Petrella*, it should beoverruled.

In the context of copyright law, the Supreme Court in *Petrella* expressly rejected the *Aukerman* rule, holding that "[t]he expansive role for laches [defendant] envisions careens away from understandings, past and present, of the essentially gap-filling, not legislation-overriding, office of laches. Nothing in this Court's precedent suggests a doctrine of such sweep." *Petrella*, 134 S. Ct. at 1974; *see also Oneida County, N.Y v. Oneida Indian Nation of New York State*, 470 U.S. 226, 245 n.16 (1985) ("that application of the equitable defense of laches in an action at law would be novel indeed"); *Naccache v. Taylor*, 72 A.3d 149, 154 (D.C. 2013) ("The overwhelming majority of the state supreme courts we identified that have considered this issue continue, post-merger [of equity and law courts], to bar laches as a defense for actions at law,"). In that

vein, this Court stated that it has never "approved the application of laches to bar a claim for damages brought within the time allowed by a federal statute of limitations." *Petrella*, 124 S. Ct. at 1974. To the extent that *Aukerman* is inconsistent with *Petrella*, *Aukerman* should be overruled.

CONCLUSION

For the foregoing reasons, AIPLA respectfully requests that the Court reverse the Federal Circuit and clarify that laches may not apply to acts occurring within the six-year damages limitations period set forth in the Patent Act.

Respectfully submitted,

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On Writ of Certiorari
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BRIEF OF *AMICUS CURIAE* ART+COM INNOVATIONPOOL GmbH SUPPORTING PETITIONERS

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QUESTION PRESENTED

Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.

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IN THE

Supreme Court of the United States

No. 15-927

SCA HYGIENE PRODUCTS AKTIEBOLAG, ET AL.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, ET AL.,

Respondents.

On Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF OF *AMICUS CURIAE* ART+COM INNOVATIONPOOL GmbH SUPPORTING PETITIONERS

INTEREST OF *AMICUS CURIAE*[1]

Laches is an essential issue for ART+COM Innovationpool, GmbH (ACI). ACI is in the midst of a multi-million dollar patent infringement action against Google, Inc., and laches is a key defense in the case, with the potential to deny ACI damages incurred within the six-year statute-of-limitations period. See *ART+COM Innovationpool GmbH* v. *Google Inc.*, C.A. No. 14-cv-217-RGA (D. Del.). Consistent with this Court's holding in *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014),

[1] All counsel of record have consented to the filing of this brief. No counsel for any party has authored this brief in whole or in part, and no person or entity, other than the *amicus* or its counsel, has made a monetary contribution to the preparation or submission of this brief.

ACI wishes to defeat the laches defense as a matter of law for damages incurred during that statutory limitations period.

ACI's insights into this legal issue are much more than that of one litigant faced with a laches issue. Its experiences in the Google litigation are representative of the hurdles faced by many smaller companies who possess colorable infringement claims against behemoth corporations. Smaller companies cannot afford to sue first and ask questions later when presented with a potentially valid infringement claim. The costs are too high for all but the patent trolls who make it their business to extract settlements on shaky infringement claims. Instead, the preferred approach is negotiation and careful analysis to resolve legitimate disputes without involving the court and incurring the steep costs of patent litigation.

That is the path ACI took in its case, engaging in several good-faith negotiations with Google and applying for two reissues of its patent. But all of that took time, and at the end of the process, once Google had cut off negotiations and the reissues were complete, more than six years had passed from the initial infringement. Thus, like many smaller companies who wish to avoid costly litigation—especially litigation against a company with Google's near-limitless resources—ACI's restraint and prudence left it open to a laches claim under the holding of the opinion below.

ACI has seen the perverse results of the Federal Circuit's laches doctrine firsthand, and it wants this Court to end that fundamentally flawed approach before it is too late for ACI and many other similarly situated smaller companies.

SUMMARY OF ARGUMENT

In the opinion below, the Federal Circuit confronted the same question this Court answered in *Petrella*, yet it reached the opposite conclusion. Whereas this Court

held that that "laches [cannot] bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period," 134 S. Ct. at 1975, the Federal Circuit permitted laches to do just that. Pet. App. 35a-36a. The Federal Circuit escaped this Court's mandate only by converting laches from a common-law, gap-filling doctrine into a statutory co-equal of the patent statute of limitations, claiming that Congress codified laches *sub silentio* in the Patent Act of 1952.

Even if that were correct, the Federal Circuit's analysis of the pre-1952 common law Congress is said to have codified is hopelessly mired in error. The court investigated only part of the relevant question, asking whether, in the abstract, "the case law prior to 1952 * * * applied laches to bar legal relief." *Id.* at 27a. It left out the most important ingredient—whether laches possesses that power *for damages incurred within a federally prescribed statutory limitations period.* That key omission set the Federal Circuit up for failure. It asked the wrong question, so it arrived at the wrong answer.

Properly focused, analysis of the pre-1952 common law confirms that while laches may bar damages allowable under an analogous state statute of limitations when Congress has remained silent on the limitations period, it cannot countermand the will of Congress expressed in a federal statute of limitations. This Court has made that clear both before and after 1952. Thus, if Congress codified any laches defense in the Patent Act, it is one that recedes in the face of a federal statute of limitations like the one governing claims for patent infringement.

ARGUMENT

I. THE FEDERAL CIRCUIT SIDESTEPPED *PETRELLA* ONLY THROUGH A FUNDAMENTALLY FLAWED COMMON-LAW CODIFICATION THEORY

The Federal Circuit evaded this Court's laches holding in *Petrella* by artificially removing the issue from the

common law. Admitting that there is "no substantive distinction material to the *Petrella* analysis between [the patent statute of limitations] and the copyright statute of limitations considered in *Petrella*," Pet. App. 18a, the court escaped the logical conclusion of that concession by "conclud[ing] that Congress codified a laches defense in § 282." *Id.* at 22a. This silent codification transformed laches in the patent context from a gap-filling, common-law doctrine that recedes in the face of a statutory limitations period into a co-equal of the explicit patent statute of limitations. It is the linchpin of the Federal Circuit's entire opinion.

Yet it is built on a foundation of sand. Invoking the principle that "[w]hen a statute covers an issue previously governed by the common law, we must presume that Congress intended to retain the substance of the common law," *id.* at 24a (quoting *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013)), the court held that "[s]ection 282 therefore retains the substance of the common law as it existed at the time Congress enacted the Patent Act." *Id.* at 26a. Assuming the Federal Circuit got it right thus far, the court should then have looked to the common-law understanding of laches in 1952, when Congress enacted the Patent Act. Although the Federal Circuit attempted to undertake that analysis, it both defined the precise question incorrectly and employed illegitimate evidence to answer it. These errors paved the way for the Federal Circuit's bizarre conclusion that the equitable doctrine of laches can bar recovery of legal damages incurred within a statutory limitations period.

A. The Federal Circuit asked the wrong question when examining the pre-1952 common law by ignoring the key role of federally prescribed limitations periods

The Federal Circuit doomed its analysis from the start by asking the wrong question. It saw its task as determining whether "the case law prior to 1952 * * * applied laches to bar legal relief." *Id.* at 27a. But that framing of the question omits the defining feature of this issue—the federal patent statute of limitations. The right question, the question the court did not consider, is whether "the case law prior to 1952 * * * applied laches to bar" damages *incurred within a federally prescribed statutory limitations period.*

That distinction is critical. In the absence of a federal statute of limitations, courts "use[] analogous state statutes of limitations to determine the timeliness of infringement claims." *Petrella*, 134 S. Ct. at 1968. Laches may apply during such a limitations period because it is merely a placeholder, not a congressional choice about the timeliness of claims: "When Congress fails to enact a statute of limitations, a [federal] court that borrows a state statute of limitations but permits it to be abridged by the doctrine of laches is not invading congressional prerogatives. It is merely filling a legislative hole." *Ibid.* (quoting *Teamsters & Emp'rs Welfare Tr. of Ill.* v. *Gorman Bros. Ready Mix*, 283 F.3d 877, 881 (7th Cir. 2002)); see also *id.* at 1975 n.16 ("When state law was the reference, federal courts sometimes applied laches as a further control.").

It is a different matter entirely when Congress has spoken through a federal statute of limitations. That is because the common-law doctrine of laches is "gap-filling, not legislation-overriding." *Id.* at 1974. And that is also why this Court "ha[s] never applied laches to bar in their entirety claims for discrete wrongs *occurring within a*

federally prescribed limitations period." *Id.* at 1975 (emphasis added).

B. Properly framed, the Federal Circuit's view of the relevant pre-1952 common law rests on a single, now-discredited circuit case

1. Correcting the Federal Circuit's question renders nearly everything it cites for the pre-1952 common-law understanding of laches inapposite. The majority's two principal cases do not even mention a federal statute of limitations, much less discuss the interplay between the common-law doctrine of laches and a statutory mandate on the timeliness of claims. See *Banker* v. *Ford Motor Co.*, 69 F.2d 665 (3d Cir. 1934); *Ford* v. *Huff*, 296 F. 652 (5th Cir. 1924); Pet. App. 29a-32a. The plethora of inapposite cases that appear in the majority's string citations lend no support to its view of the pre-1952 law either, save only one. See Pet. App. 29a-30a, 32a-33a.

Purged of the precedent irrelevant to the real question about the pre-1952 common law, the Federal Circuit's view of the common-law understanding of laches in this context rests on a lone court of appeals case, *Gillons* v. *Shell Co. of California*, 86 F.2d 600 (9th Cir. 1937). That is the only pre-1952 case the court cites (or that ACI has found) supporting the notion that laches can bar legal damages incurred within a federally prescribed limitations period.[2]

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[2] *Gillons* is the only pre-1952 case that applied laches to bar recovery for legal damages incurred within the patent statute of limitations. The opinion below cited two additional cases that briefly mention the possible interplay between a federally prescribed limitations period and laches, but they both quickly dismissed the laches argument without having to confront the question directly. See *France Mfg. Co.* v. *Jefferson Elec. Co.*, 106 F.2d 605, 609 (6th Cir. 1939); *Hartford-Empire Co.* v. *Swindell Bros.*, 96 F.2d 227, 233 (4th Cir. 1938). An Eighth Circuit case not cited in the opinion below did the

2. That paucity of case law alone refutes the Federal Circuit's conclusion that Congress codified that principle in the Patent Act. The canon of construction the Federal Circuit employed to transform a common-law principle into a statutory mandate requires that the common law be "well established" at the time of the statutory enactment: "[W]here a common-law principle is *well established*, * * * the courts may take it as given that Congress has legislated with an expectation that the principle will apply." *Astoria Fed. Sav. & Loan Ass'n* v. *Solimino*, 501 U.S. 104, 108 (1991) (emphasis added); see also *Isbrandtsen Co.* v. *Johnson*, 343 U.S. 779, 783 (1952) ("Statutes which invade the common law * * * are to be read with a presumption favoring the retention of *long-established* and *familiar* principles." (emphases added)).

The types of common-law doctrines that qualify have "an impeccable historic pedigree." *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013). One such doctrine had "for at least a century * * * played an important role in American copyright law." *Ibid.* Another "ha[d] roots in our common law reaching back to at least the 18th century." *Baker Botts L.L.P.* v. *ASARCO LLC*, 135 S. Ct. 2158, 2164 (2015).

One case from one court of appeals does not constitute a "long-established and familiar principle[]" worthy of the canon. *Isbrandtsen*, 343 U.S. at 783. This Court has rightly rejected attempts by a party to "cite[] only one federal case * * * for the proposition that [a doctrine is] well established in federal law." *Dixon* v. *United States*, 548 U.S. 1, 13-15 (2006). The Second Circuit has done likewise, declining to find "a firmly established rule" when the defendants "base[d] their understanding of the pre 1936 American maritime common law of shipper lia-

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same. *See United Drug Co.* v. *Ireland Candy Co.*, 51 F.2d 226, 232 (8th Cir. 1931).

bility almost entirely on one case." *Senator Linie Gmbh & Co. Kg* v. *Sunway Line, Inc.*, 291 F.3d 145, 158, 161 (2d Cir. 2002). That lone case could not demonstrate that the common-law doctrine was "sufficiently coherent or settled for purposes of codification." *Id.* at 165.

The same reasoning applies here. One case proves nothing. It certainly does not demonstrate a "well established" common-law practice of using laches to deny patentees recovery allowed by the patent statute of limitations. *Astoria*, 501 U.S. at 108. Congress is not presumed to have scoured the case law and approved of every jot and tittle inked in the federal courts when it enacts a statute. That would be an absurd canon of construction. Yet that is the only reasoning that can justify the Federal Circuit's holding. *Gillons* is the entirety of the pre-1952 common law supporting its laches rule. Congress did not codify a stray court of appeals case *sub silentio* in the Patent Act.

3. Congress especially cannot be presumed to have codified a case with reasoning as suspect as *Gillons*'s. Much like the Federal Circuit in its current laches jurisprudence, the *Gillons* court treated the federal statute of limitations as if it were a borrowed state limitations period—merely informative of the operative presumptions and evidentiary burdens attending proof of unreasonable delay. Indeed, the "leading case" it cited for this practice addressed only whether laches can bar a suit that is timely under a *state* statute of limitations. *Gillons*, 86 F.2d at 607 (citing *Kelley* v. *Boettcher*, 85 F. 55, 62 (8th Cir. 1898)). That is how the court reached its conclusion that "[i]n determining what delay constitutes laches, courts of equity are not bound by the statutes of limitations relating to actions at law of like character." *Id.* at 607.[3] The

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[3] If the statute of limitations before it had come from a state and not Congress, the *Gillons* court would have been correct. *See Petrella*, 134 S. Ct. at 1968 ("When Congress fails to enact a statute of limita-

court went on to apply laches to bar the plaintiff's claim for infringement damages incurred during the six-year period allowed by the patent statute of limitations. *Id.* at 607-611.

This Court exposed the fallacies in that reasoning in *Petrella*. Whether or not Congress has prescribed a limitations period is a momentous question for laches purposes. "When Congress fails to enact a statute of limitations," a court may "use[] analogous state statutes of limitations to determine the timeliness of infringement claims." *Petrella*, 134 S. Ct. at 1968. In that circumstance, "permit[ting the state statute] to be abridged by the doctrine of laches is not invading congressional prerogatives." *Ibid.* (quoting *Teamsters & Emp'rs Welfare Tr.*, 283 F.3d at 881). Congress has not spoken on the matter, and laches is merely fulfilling its traditional role as a "gap-fill[er]." *Id.* at 1974. But permitting laches during a federally prescribed limitations period "[i]nvit[es] individual judges to set a time limit other than the one Congress prescribed," transforming laches from "gap-filling" to "legislation-overriding." *Id.* at 1974-1975. This Court has never ascribed such power to the common-law doctrine of laches. *Ibid.*

That critical distinction eluded the *Gillons* court, just as it has the Federal Circuit. *Gillons* equated two very different situations and treated the patent statute of limitations enacted by Congress as if it had been borrowed from a state. *Gillons*, 86 F.2d at 607-608. It is folly to presume that Congress codified such an outlier opinion with logical deficiencies of that magnitude.

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tions, a [federal] court that borrows a state statute of limitations but permits it to be abridged by the doctrine of laches is not invading congressional prerogatives. It is merely filling a legislative hole." (quoting *Teamsters & Emp'rs Welfare Tr.*, 283 F.3d at 881)); see also *Russell* v. *Todd*, 309 U.S. 280, 289 (1940).

II. The Understanding At The Time Of The Patent Act Confirms That Laches Does Not Bar Recovery Of Damages Incurred Within A Federally Prescribed Limitations Period

If Congress codified any laches defense when it enacted the Patent Act, then that defense cannot bar legal damages for harm incurred during the six-year patent statute of limitations, even it may be able to foreclose equitable relief during that period. That was the "well established" understanding in 1952. *Astoria*, 501 U.S. at 108.

In 1935, this Court stated unequivocally that "[l]aches within the term of the statute of limitations is no defense at law." *United States* v. *Mack*, 295 U.S. 480, 489 (1935). It reaffirmed that principle a decade later. See *Holmberg* v. *Armbrecht*, 327 U.S. 392, 395 (1946) ("If Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter. The Congressional statute of limitation is definitive."). The Eighth Circuit applied that settled law only a few months before Congress enacted the Patent Act: "[M]ere delay in seeking redress cannot destroy the right of the patentee to compensatory damages. * * * The statute provides that recovery shall not be had for any infringement committed more than six years prior to the filing of the complaint in the action. There is apparently no other period of limitations which may be invoked by an infringer to bar recovery." *Middleton* v. *Wiley*, 195 F.2d 844, 847 (8th Cir. 1952).

This Court recognized that long-established understanding of laches in *Petrella*: "The expansive role for laches [the alleged infringer] envisions careens away from understandings, *past and present*, of the essentially gap-filling, not legislation-overriding, office of laches. * * * [W]e have never applied laches to bar in their entirety claims for discrete wrongs occurring within a fed-

erally prescribed limitations period." 134 S. Ct. at 1974-1975 (emphasis added). Laches was, is, and always has been a gap-filling doctrine that recedes in the face of a congressionally prescribed statute of limitations. That was the understanding Congress codified in the Patent Act in 1952, if it codified any laches defense at all.

CONCLUSION

ART+COM Innovationpool GmbH respectfully requests that the judgment of the Court of Appeals be reversed.

Respectfully submitted.

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SCA HYGIENE PRODUCTS AKTIEBOLAG AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENE, INC., FIRST QUALITY PRODUCTS INC., AND FIRST QUALITY RETAIL SERVICES, LLC.

Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF *AMICUS CURIAE* ASKELADDEN LLC IN SUPPORT OF RESPONDENTS

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INTEREST OF THE *AMICUS CURIAE*

Askeladden L.L.C. is an education, information and advocacy organization dedicated to improving the understanding, use, reliability and quality of patents pertinent to financial services and other industries. Askeladden seeks to improve the United States patent system by, among other things, submitting *amicus curiae* briefs on important issues of patent law. *E.g.*, *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, No. 14-1513; *Commil USA, LLC v. Cisco Sys., Inc.*, No. 13-896.[1]

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[1] Pursuant to Supreme Court Rule 37.6, Askeladden states that: (i) no counsel for a party authored this brief in whole or in part; and (ii) no person other than the *amicus curiae* or its counsel financially contributed to the preparation of this brief. All parties have consented to the filing of this brief.

regulation that supports a safe, sound and competitive banking system.

Askeladden believes that a strong patent system is vital for continued economic growth and innovation, and that the health of that system depends on retaining traditional checks on patent abuse, including the traditional defense of laches. Eliminating or restricting the laches defense to allow patent owners to assert and maintain infringement claims after long periods of delay would invite abuse and threaten investments made in good faith by financial institutions. Financial services companies face unfair and unreasonable economic prejudice when patent owners bring claims alleging that an important system, method or piece of software that the company has used and on which it has relied for many years infringes a patent. Because such claims may expose companies to substantial liability, they exert pressure on defendants to settle even weak patent claims. As frequent targets of abusive patent claims, financial services institutions have a strong interest in preserving the traditional laches defense.

SUMMARY OF ARGUMENT

For more than a century, courts have recognized that laches is a defense in patent litigation, and they have applied laches to bar belated claims seeking damages for infringement. This unbroken history reflects the importance of laches in the context of patent disputes, in which the potential for prejudice from delay is particularly great. The Federal Circuit's decision below to reaffirm its precedent

recognizing a laches defense to damage claims under the Patent Act is correct and should be affirmed.

A contrary interpretation of the Patent Act would not only uproot long-settled law, but would encourage abusive patent practices and stifle investment and technological development. When patent rights are not asserted within a reasonable amount of time, companies invest in methods and technologies based on the good-faith belief that their use does not infringe a valid patent. "[O]nce a large investment has been made in using [a] patented technology, it will often become uneconomical to switch to [another] technology." Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 B.U. L. Rev. 63, 79 n.62 (2004) ("Lemley & Moore, *Ending Abuse*"). Allowing a patent owner to "intentionally lie silently in wait" while technologies and business practices become locked-in and "damages escalate," *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020, 1028-33 (Fed. Cir. 1992) (en banc), would unfairly subject defendants to disproportionate liability and create overwhelming pressure to settle even dubious patent infringement allegations.

This outcome would exacerbate one of the most persistent problems in our patent system: abusive patent practices by entities that acquire and use patents not to practice the claimed invention, but rather "primarily [to] obtai[n] licensing fees" by blanketing companies with notice letters asserting infringement claims and demanding a settlement. *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1937 (2016) (Breyer J., concurring) (quoting *eBay*

Inc. v. MercExchange, L.L.C., 547 U.S. 388, 396 (2006) (Kennedy, J., concurring)). For those entities delay is often good strategy because it increases their settlement leverage—an incentive that is currently reined-in only by the risk that unreasonable delay will result in a successful laches defense.

The problem of strategic delay and abusive infringement claims is particularly acute in industries like financial services, where the stakes are high because of the volume and value of the business that is transacted. These features of the industry have attracted numerous infringement actions targeting established and highly valuable business practices through the assertion of vague business and other method claims of doubtful validity included in patents that issued many years earlier. Removing laches as a check on those actions would only encourage abusive patent litigation and penalize good-faith investment.

Nothing in this Court's recent decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), supports the elimination of a key equitable defense in patent infringement litigation. The Court's holding in *Petrella* turned on the "undisputed" fact that Congress enacted a statute of limitations for damages claims under the Copyright Act. *Id.* at 1968-69. The Patent Act, however, does *not* have a statute of limitations: although section 286 of the Patent Act places a time limit on damages that may be recovered in a successful infringement action, it does not dictate when a suit must be brought or require dismissal of untimely claims. Instead, laches plays that role. The text of section 286, together

with the history and structure of the Patent Act, supports this longstanding interpretation.

ARGUMENT

I. Damage Claims For Patent Infringement Are Subject To Laches.

When a plaintiff delays egregiously in bringing an action, but Congress has not expressly adopted a clear and specific time limit for asserting the cause of action, must the courts allow the action to proceed despite the delay? The answer is no, has been no for more than a century and remains no after this Court's decision in *Petrella*. Where there is no statute of limitations, timeliness does not go unregulated; it is litigated case-by-case, through the laches defense.

A. The Patent Act Does Not Include A Statute Of Limitations.

In common legal usage, a statute of limitations is a statute that establishes "a time limit for suing in a civil case, based on the date when the claim accrued." *CTS Corp. v. Waldburger*, 134 S. Ct. 2175, 2182 (2014) (quoting Black's Law Dictionary 1546 (9th ed. 2009)). Consistent with this definition, statutes of limitation generally share two essential characteristics: (1) they provide a time period within which the plaintiff must bring suit, typically measured forward from when the claim accrued, *see Heimeshoff v. Hartford Life & Accident Insurance Co.*, 134 S. Ct. 604, 610 (2013); and (2) they establish

that courts will not entertain an action filed after that time has passed, *see Lozano v. Montoya Alvarez*, 134 S. Ct. 1224, 1234 (2014).

The provision at issue in *Petrella*, for example, had both characteristics. Section 507 of the Copyright Act, titled "Limitations on actions," provides that "[n]o civil action shall be maintained" under the Copyright Act "unless it is commenced within three years after the claim accrued." 17 U.S.C. § 507(b); *see also Petrella*, 134 S. Ct. at 1967, 1978 (explaining that section 507(b) is a "time-to-sue prescription," and indicating that it was "undisputed" that the provision "bars relief of any kind for conduct occurring prior to the three-year limitations period"). A copyright claim that is untimely under section 507 therefore must be dismissed.

By contrast, section 286 of the Patent Act has neither characteristic. First, it does not establish a time period in which a plaintiff must bring an action once the claim accrues; instead, the provision "begins with the date of suit and counts backward" to limit total damages. *Aukerman*, 960 F.2d at 1034. See 35 U.S.C. § 286 ("[N]o recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action."). Second, the statute "does not say that 'no suit shall be maintained,'" and thus does not "create a bar under § 286 to the bringing of a suit for infringement or maintaining the suit." *Standard Oil Co. v. Nippon Shokubai Kagaku Kogyo Co.*, 754 F.2d 345, 347-48 (Fed Cir. 1985); *accord* AIPLA Br. 10 (conceding that section 286 "is not a full statute of limitations" for this

reason). As a result of these features, section 286 does not bar a suit brought more than six years after an act of infringement—nor does it guarantee that an action brought within that six-year period will be timely. The provision's "only effect" is to limit the scope of recovery "[a]ssuming" that there is a finding of liability and "assum[ing]" that there is "no other impediment to recovery or maintenance of the suit." *Standard Oil*, 754 F.2d at 348.

The Federal Circuit recognized in the decision below that section 286 merely places a limit on recoverable damages, but nonetheless suggested that the distinction between such a damages limitation and a true statute of limitations is "irrelevant" under *Petrella*. Pet. App. 17a. That is not correct. The distinction between section 286 and a true statute of limitations, like that in section 507 of the Copyright Act, is significant. When "Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter." *Holmberg v. Armbrecht*, 327 U.S. 392, 395 (1946) (quoted in *Petrella*, 134 S. Ct. at 1973). If Congress, on the other hand, has not clearly spoken on the question when a plaintiff must bring suit to preserve its rights, then laches will fill the gap, "serv[ing] as a guide when no statute of limitations control[s] the claim." *Petrella*, 134 S. Ct. at 1974, 1975; *see also id.* at 1974 n.15 (distinguishing trademark claims from copyright claims because the Lanham Act "contains no statute of limitations"). Section 286 is not a statute of limitations—there is thus no reason for courts to presume that Congress intended the provision not only to limit damages liability to

damages that accrue six years before the filing of the infringement action, but also to provide plaintiffs with a *guarantee* of six years of damages regardless of the extent or reasonableness of their delay or the magnitude of the prejudice suffered by the defendants as a consequence of that delay.

B. The History Of The Patent Act Confirms That Laches Is A Defense To A Claim For Damages And That Section 286 Is Not A Statute Of Limitations.

The history of the Patent Act confirms what the language of section 286 makes plain: section 286 is not a statute of limitations; laches therefore is the only law that governs whether an infringement claim is timely. The patent statute contained an actual statute of limitations for a brief time from 1870-1874, when the statute prescribed that "all actions shall be brought during the term for which the letters-patent shall be granted or extended, or within six years after the expiration thereof." Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206. Outside of that short window, the timeliness of patent infringement claims has been governed by laches. That approach is unsurprising given the historic dominance of equity in the enforcement of patent rights in the period leading up to the enactment of the 1952 Patent Act. *See* First Quality Br. pp. 2-5, 17-21.

The application of laches to patent claims dates back to the nineteenth century, *see, e.g. Lane & Bodley Co. v. Locke*, 150 U.S. 193 (1893), and it has been consistently recognized by courts from that time

forward. When Congress enacted the Patent Act in 1952 to codify the patent laws in their modern form, *see* Act of July 19, 1952, ch. 950, 66 Stat. 792, the regional circuits uniformly applied laches to claims of patent infringement, *see* Pet. App. 29a-30a, even though the patent laws have, since 1897, included materially indistinguishable variations of section 286's limit on recoverable damages.

Notably, many of the decisions in this long line of cases expressly recognized that laches is a defense in infringement actions for *damages*.[2] Courts reasoned that it was unfair in a suit for damages to allow "the patent owner to sleep on his rights and lead an infringer to make large investments in the belief that he is not infringing or that the patent rights are not to be pressed." *Potash Co. of Am. v. Int'l Minerals & Chem. Corp.*, 213 F.2d 153, 156, 160 (10th Cir. 1954) (holding that the delay in the case made it "inequitable to allow plaintiff to recover damages for past infringement of its patents"); *see also Brennan Hawley Prods. Co.*, 182 F.2d 945 947, 948 (7th Cir. 1950) (laches barred patent owner's "action to recover" for infringement, where the defendant "expended large sums of money in the extension of its manufacturing facilities" as a result of the plaintiff's delay); *Banker v. Ford Motor Co.*, 69 F.2d 665, 666 (3d Cir. 1934) (squarely rejecting the

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[2] *See, e.g., Brennan v. Hawley Prods. Co.*, 182 F.2d 945, 947-48 (7th Cir. 1950); *Montgomery Ward & Co. v. Clair*, 123 F.2d 878, 883 (8th Cir. 1941); *Universal Coin Lock Co. v. Am. Sanitary Lock Co.*, 104 F.2d 781, 782 (7th Cir. 1939); *Banker v. Ford Motor Co.*, 69 F.2d 665, 665-66 (3d Cir. 1934); *Ford v. Huff*, 296 F 652, 658 (5th Cir. 1924).

argument that laches did not apply to claims for damages). SCA Hygiene and its amici try to explain away this large and consistent body of precedent, but the Federal Circuit correctly recognized that the pre-1952 case law "strongly support[ed] the availability of laches to bar legal relief."[3]

There is no reason to believe that Congress intended to disturb this clear judicial consensus when it enacted the Patent Act and simply carried forward the six-year damages provision that now appears in section 286. Congress is presumed to be "aware of" the existing legal context "when it passes legislation," *Miles v. Apex Marine Corp.*, 498 U.S. 19, 32 (1990), and the 1952 Patent Act reflected particularly keen attention to existing interpretations of patent law, as this Court has repeatedly made clear, *see, e.g.*, *Halo Elecs.*, 136 S. Ct. at 1930; *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238, 2246 (2011).

In fact, a commentary on the 1952 Patent Act by one of its drafters explains that Congress intended *to retain* the defenses of laches, specifically by 35 U.S.C. § 282. *See* P.J. Federico, Commentary on the

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[3] Petitioner SCA Hygiene has suggested (at 44) that *Middleton v. Wiley*, 195 F.2d 844 (8th Cir. 1952), is a counterexample. *See also* Law Professors Br. 14-15. The Federal Circuit, however, correctly rejected that argument. *See* Pet. App. 32a n.9. The court in *Middleton* concluded only that there was "no basis *in this case* for applying the doctrine of laches," and indicated that "*mere delay* in seeking redress" did not justify refusing damages. 195 F.2d at 847 (emphasis added). The court did not suggest that laches was unavailable as a defense even if the defendant establishes prejudice as a result of the delay.

New Patent Law, 35 U.S.C.A. 1 (West 1954), *reprinted in* 75 J. Pat. & Trademark Off. Soc'y 161, 215 (1993) ("Federico"); *see also* Pet. App. 21a (collecting decisions in which this Court has cited Federico as a relevant authority on how to interpret the Patent Act). Congress accomplished this by setting forth patent defenses in "general terms"[4]—section 282(b) broadly recognizes the defenses of "[n]oninfringement, absence of liability for infringement or unenforceability." 35 U.S.C. 282(b). Among other things, this language—with its general reference to a defense based on the "unenforceability" of patent claims—was intended to incorporate traditional "equitable defenses such as laches, estoppel and unclean hands." Federico at 215. Given this backdrop, it is reasonable to presume that Congress intended to preserve the pre-1952 Act rule that recognized laches as a defense to patent infringement, including in actions for damages. *Cf. i4i Ltd. P'ship*, 131 S. Ct. at 2246 (concluding that the 1952 Act incorporated settled pre-1952 law on the standard for proving patent invalidity); *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 25-28 (1997) (holding that decisions recognizing the doctrine of equivalents survived in the 1952 Patent Act).

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[4] *See* S. Rep. No. 82-1979, at 9 (1952); H.R. Rep. No. 82-1923, at 29 (1952).

C. The Structure Of The Patent Act Confirms The Limited Role Played By Section 286.

The limited role played by section 286 is further supported by the structure of the Patent Act. Properly understood, sections 282(b) and 286 work together to provide courts with flexibility to determine when the patent owner's damages action should be barred due to unfair delay, while providing the defendant with clear assurance that its liability will never extend back more than six years before the suit was filed.

The Act sets forth general defenses to infringement (section 282(b)), which are followed by provisions describing the relief available for successful infringement claims (sections 283, 284 and 285), and then additional sections limiting the scope of that relief based on case-specific circumstances. The latter category includes section 286 (which places a time limit on recoverable damages) and section 287 (which limits damages, and other remedies, according to whether the patent owner provided appropriate notice of its claims).

The subsequent remedial provisions come into play only if the patent is not rendered invalid, unenforceable or not infringed on the basis of a section 282(b) defense. In a case in which there has been significant delay that was prejudicial, a defendant may assert that the patent is unenforceable under section 282(b) on the ground of laches. If the action survives because the accused infringer fails to prove its laches defense (*e.g.*,

because the defendant fails to establish prejudice), the patent owner is eligible to receive damages under section 284, but section 286 still places a time limit on the damages that the plaintiff may recover. This statutory structure balances the competing interests of patent owners and the public by preventing damages from accumulating beyond six years in every case while relying on laches to deal with more extreme cases where delay has prejudiced a defendant who, for example, has built an entire business around a product or method that the patent owner belatedly claims infringes its patent.

In contrast, SCA's proposed interpretation, which would substantially restrict the traditional scope of section 282(b) by eliminating a laches defense, would leave good-faith business investments exposed to a patent owner's dilatory tactics. That is because, outside of section 282(b), other provisions of the Patent Act do not provide adequate protection against the economic prejudice that may result from delay. In this regard, the Patent Act is materially different from the Copyright Act.

For example, the Copyright Act entitles defendants to offset damages by demonstrating their "deductible expenses and the elements of profit attributable to factors other than the copyrighted work." 17 U.S.C. § 504(b). Thus, even though there is no laches defense to damages under the Copyright Act, that statutory provision enables copyright defendants to "retain the return on investment shown to be attributable to its own enterprise, as distinct from the value created by the infringed work"—a fact that this Court highlighted in *Petrella* to support its

interpretation of section 507(b). 134 S. Ct. at 1973. By contrast, the Patent Act does not have a comparable offset provision, and the damages assessed for patent infringement sometimes fail to account for "the value added by the manufacturer in putting everything together and marketing the product," or the value of other technologies not covered by the patent. Robin Feldman, *Intellectual Property Wrongs*, 18 Stan. J.L. Bus. & Fin. 250, 261 (2013). As a result, defendants could see their damages escalate based on the value created by their own investments during the period that the patent owner delayed filing suit.

There are other significant differences between patent law and copyright law that explain why Congress provided for a laches defense in the former context. As the Federal Circuit recognized below (Pet. App. 37a-38a), copyright infringement liability exists only for deliberate copying, meaning that an award of damages even several years after an initial act of infringement does not punish good-faith, independent business investment. That is not the case under patent law, because independent invention is not a defense, *see Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 490 (1974), and direct infringement is a strict-liability offense, *see Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920, 1926 (2015).

It would be anomalous to suppose that Congress intended to leave parties accused of patent infringement with *none* of the protections for their investments that copyright law affords, particularly in light of the potential for substantial economic

prejudice from delay in the patent-law context. *See infra* Part II. That, however, would be the effect of reading a laches defense out of the statute.

D. Petitioner's Approach Could Call Other Established Equity-Based Defenses To Patent Infringement Into Question

SCA Hygiene's effort to limit section 282(b) could also unsettle established precedent far beyond the context of laches. Because "[m]uch of the overall body of patent jurisprudence was developed within the equity framework[,] patent law is riddled with equitable approaches." Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 Yale L.J. 848, 913 (2016). These equitable doctrines include several equity-based defenses in infringement actions, including not only "laches," but also "patent misuse, inequitable conduct" and other defenses. *Ibid.*; *see also Aspex Eyewear Inc. v. Clariti Eyewear, Inc.* 605 F.3d 1305, 1310-14 (Fed Cir. 2010) (applying the defense of equitable estoppel); *Symbol Techs., Inc. v. Lemelson Med.*, 277 F.3d 1361, 1363-68 (Fed. Cir. 2002) (applying an equitable defense based on delay in patent prosecution, often referred to as "prosecution laches"); *Intellect Wireless, Inc. v. HTC Corp.*, 732 F.3d 1339, 1341 (Fed. Cir. 2013) (applying an equitable defense based on inequitable conduct in patent prosecution).

SCA Hygiene contends (at 34-36) that laches should not be available as a defense to a claim for infringement damages because it is not specifically enumerated as a defense in section 282(b). It

supports this argument by reference (at 23, 36) to 35 U.S.C. § 283, which authorizes courts to grant injunctions "in accordance with the principles of equity." According to SCA Hygiene, the fact that Congress did not expressly provide for a laches defense for damages, or at least endorse the application of general equitable principles, demonstrates that Congress did not intend to recognize any such defense. This argument, however, ignores Congress's intent in passing the 1952 Act to codify preexisting defenses to infringement using "general terms," such as through its reference to a defense of unenforceability. *See* S. Rep. No. 82-1979, at 9 (1952); H.R. Rep. No. 82-1923, at 29 (1952). Moreover, if this argument were accepted here, the Court's reasoning could imperil the many other well-recognized equity-based defenses in damages actions that are not specifically enumerated in section 282(b). *See* p. 15, *supra*. SCA Hygiene has not justified a reading of section 282 that, if taken to its logical conclusion, would eliminate important defenses that have long been available, in claims at law as well as in equity, to protect against abusive behavior on the part of patent owners.

II. Laches Plays A Critical Role In Protecting Legitimate Business Investments And Limiting Abusive Patent Practices.

Reversing the Federal Circuit's decision would have serious negative consequences that would impair business investment and innovation. If there is no

check in damages cases on unreasonable litigation delay except for section 286, then patent owners will be free to attack systems, methods and software that have become deeply entrenched over time in the products and services of a company or even an entire industry. Under such a legal regime, even highly questionable patent claims will have the potential to disrupt businesses and allow patent owners to extort settlements from companies seeking to avoid even a slight risk of enormous liability. The experience of companies in the financial services industry demonstrates just how serious a threat that disruption would pose. Such firms have faced a steady stream of dubious infringement suits challenging what have become basic and essential business practices, such as providing mobile banking services to customers through smartphone applications.

As explained above, nothing in the Patent Act or its history suggests that Congress intended this result. Absent a clear directive from Congress,[5] the Court should not take away laches as a tool that the courts can employ to ensure that patent monopolies are used in a way that promotes innovation and investment rather than undermines it.

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[5] Congress is more than capable of providing one. *See, e.g.*, Pub. L. No. 93-531, § 18(b), 88 Stat. 1721 (formerly codified at 25 U.S.C. § 640d-17(b)) (providing that "[n]either laches nor the statute of limitations shall constitute a defense"). But Congress has not done so in any of the numerous revisions to the Patent Act. *See* First Quality Br. 33-36.

A. Economic Prejudice Is Particularly Significant In Patent Cases.

The basic "test of laches is prejudice to the other party." *Gutierrez v. Waterman S.S. Corp.*, 373 U.S. 206, 215 (1963); *see also Galliher v. Cadwell*, 145 U.S. 368, 373 (1892) (holding that laches was properly applied when permitting the claim to be enforced would be inequitable in light of "some change in the condition or relations of the property or the parties"). Prejudice exists where, *inter alia*, "a defendant and possibly others will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit." *Aukerman*, 960 F.2d at 1033. This economic form of prejudice[6] is particularly likely to arise in patent cases, as demonstrated by the many cases over the last several decades in which laches has been applied to protect the interests of defendants that have engaged in significant capital investment to expand their business around a particular method or technology, or devoted significant resources to market and develop that method or technology [7]

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[6] Prejudice also comes in an evidentiary form, where delay impairs a defendant's ability to defend against infringement allegations. As with economic prejudice, this type of prejudice is acute for defendants in patent litigation because of the burdens that alleged infringers face, particularly if they wish to challenge the patent's validity. *See* First Quality Br. 48; IPO Br. 18-19; *see generally* Electronic Frontier Foundation & Public Knowledge Br.

[7] *See, e.g., Lismont v. Alexander Binzel Corp.*, No. 2:12-cv-592, 2014 WL 4181586, at *10-12 (E.D. Va. Aug. 20, 2014), *aff'd*, 813 F.3d 998 (Fed. Cir. 2016); *LendingTree, LLC v. Zillow, Inc.*, No.

Technologies and business methods typically are not practiced in isolation, and as a result cannot easily be unwound after a significant amount of time without substantial disruption to an accused infringer's business and the loss of sunk-cost investments. *See* William F. Lee & A. Douglas Melamed, *Breaking the Vicious Cycle of Patent Damages*, 101 Cornell L. Rev. 385, 409-11 (2016) (discussing the problem of "lock-in costs"). When a patent owner delays suing for patent infringement, other companies (and even entire industries) may—after engaging in due diligence, including undertaking appropriate patent searches—build up their businesses around particular systems, methods, or designs on the assumption that they are not infringing a valid patent and will not be subject to suit. *See* Lemley & Moore, *Ending Abuse*, 84 B.U. L. Rev. at 79 & n.62. Because independent invention is not a defense to a patent infringement claim, *see*, p. 14, *supra*, delay may turn what could have been a small suit with manageable damages into a bet-the-company litigation, providing the patent owner with "substantial bargaining power." Lemley & Moore, *Ending Abuse*, 84 B.U. L. Rev. at 79 & n.62; *accord* IPO Br. 19-20; IPLA of Chicago Br. 9-10. Companies

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3:10-cv-00439-FDW-DCK, 2014 WL 1309305, at *9 (W.D.N.C. Mar. 31, 2014); *Medinol Ltd. v. Cordis Corp.*, 15 F. Supp. 3d 389, 408-09 (S.D.N.Y. 2014); *Enel Co. v. Schaefer*, No. 12-cv-1369-IEG (WMC), 2013 WL 5727421, at *10 (S.D. Cal. Oct. 22, 2013); *Lautzenhiser Techs., LLC v. Sunrise Med. HHG, Inc.*, 752 F. Supp. 2d 988, 1004 (S.D. Ind. 2010); *Crown Packaging Tech., Inc. v. Rexam Beverage Can Co.*, 679 F Supp. 2d 512, 526-27 (D. Del. 2010); *Manus v. Playworld Sys., Inc.*, 893 F. Supp. 8, 10 (E.D. Pa. 1995), *aff'd*, 86 F.3d 1177 (Fed. Cir. 1996).

wary of exposing themselves to such liability might simply decline to invest, to the detriment of consumers and the overall economy. *Cf. Halo Elecs.*, 136 S. Ct. at 1937 (Breyer, J., concurring) (noting, in the context of enhanced damages under 35 U.S.C. § 284, that exposure to heightened damages for alleged patent infringement "can encourage the company to settle, or even abandon any challenged activity").

The experience of the financial services industry illustrates how time and investment can magnify a defendant's exposure for alleged patent infringement. Electronic check image processing, for example, has become "standard practice in the banking industry," S. Rep. No. 110-259, at 34 (2008), and it has even been promoted by Congress: in 2003, Congress enacted the Check Clearing for the 21st Century Act, Pub. L. No. 108-100, 117 Stat. 1177, which was intended to allow banks to handle more checks electronically in order "[t]o improve the overall efficiency of the Nation's payments system," 12 U.S.C. § 5001(b)(3). Numerous financial services institutions have nevertheless been sued for infringement based on their use of this now-bedrock technology by a company that obtained business method patents in 1999 and 2000—well after the technology had been developed. Precisely because check imaging is now so ubiquitous, the potential liability associated with those actions is enormous. *See* Megan M. La Belle & Heidi Mandanis Schooner, *Big Banks and Business Method Patents*, 16 U. Pa. J. Bus. L. 431, 455 (2014) (describing suits by the patent owner DataTreasury and indicating that the company collected "an estimated $400 million in

settlement/licensing fees" from financial institutions over the course of a decade of litigation and threatened litigation). The liability continues to swell over time.

Petitioner SCA Hygiene contends (at 20, 49-50) that the statutory notice requirement for patented articles, *see* 35 U.S.C. § 287, avoids the risk of unfair surprise and resulting prejudice. Section 287 is no substitute for laches in curtailing abusive patent practices, however, and it was not intended to be. First, as SCA Hygiene admits (at 50 n.3), section 287 does "not apply where the patent is directed to a process or method." *ActiveVideo Networks, Inc. v. Verizon Commc'ns, Inc.*, 694 F.3d 1312, 1334 (Fed. Cir. 2012). Section 287 thus does not provide any protection against strategic delay in the assertion of method patent claims after business practices have become entrenched, as in the check-imaging example. Second, even when section 287's marking requirement does apply, patent owners typically discharge it merely by providing notice of potential infringement allegations prior to suit. *See* 35 U.S.C. § 287(a); SCA Hygiene Br. 49-50. That minimal obligation often has little practical value in an economy where some firms make money by sending boilerplate, conclusory "letters to 'tens of thousands of people asking for a license or a settlement' on a patent." *Halo Elecs.*, 136 S. Ct. at 1937 (Breyer, J., concurring) (citation omitted); *accord* IPLA of Chicago Br. 17, 19 (noting the prevalence of such demand letters). Innovation will be stifled if companies are forced to curtail product and business development (or attempt to file an action for

declaratory relief) every time they receive a cursory demand letter—even though the putative patent owner did not follow-up on its letter by pursuing litigation within a reasonable amount of time.

B. Eliminating Laches In Damages Cases Would Encourage Abusive Patent Suits.

The consequences of eliminating laches as a defense would be bad enough if its effects were limited to legitimate patent claims. The elimination of the defense of laches, however, would have far reaching and harmful consequences because it would increase the incentives for abusive patent owners to assert weak or frivolous patent claims against well-established and highly valuable products and services. *See, e.g.*, *High Point Sarl v. Sprint Nextel Corp.*, 67 F. Supp. 3d 1294, 1316-18 (D. Kan. 2014) (applying laches to bar infringement suit related to infrastructure equipment used by a telecommunications provider for more than a decade to build its wireless network), *aff'd in part*, 817 F.3d 1325 (Fed. Cir. 2016); *St. Clair Intellectual Prop. Consultants, Inc. v. Acer, Inc.*, 961 F. Supp. 2d 610, 617 (D. Del. 2013) (granting summary judgment on the basis of laches in a blanket suit against numerous technology companies); *I/P Engine, Inc. v. AOL Inc.*, 915 F. Supp. 2d 736, 741 (E.D. Va. 2012) (applying laches to bar suit against an internet-service provider and its customers).

Indeed, a common and "especially damaging" strategy used by some patent owners is to "wait[] after a patent has been issued while an industry

advances using the covered technology and then su[e] widely for infringement only after the industry has become locked into the technology through independent innovation and development." Ronald J. Mann, *Do Patents Facilitate Financing in the Software Industry?*, 83 Tex. L. Rev. 961, 1027 (2005) ("Mann, *Financing*"); *see also* Robert P. Merges, *The Trouble with Trolls: Innovation, Rent-Seeking, and Patent Law Reform*, 24 Berkeley Tech. L.J. 1583, 1590-91 (2009) ("The patent troll strategy is to take advantage of 'lock-in' that occurs as a result of [sunk cost] investments."). By adopting this approach, abusive patent owners maximize their leverage to induce settlement, because once "the product has become locked in and profitable" the damages are greater and "the product or component of a system" is "more expensive [for the defendant] to replace." Mark Rawls, Note, *Fixing Notice Failure: How to Tame the Trolls and Restore Balance to the Patent System*, 5 Wm. & Mary Bus. L. Rev. 561, 581 (2014).

Abusive patent claims targeting the financial services industry illustrate the seriousness of this risk. Financial services institutions are especially attractive targets for vague infringement allegations by owners of weak patents because they provide products and services to millions of customers who in turn enter into many millions of transactions. One study found that patents directed to financial services are *27-39 times* more likely to be asserted in litigation than patents generally. Josh Lerner, *The Litigation of Financial Innovations*, 53 J.L. & Econ. 807. 808 (2010). Moreover, third-party patent owners (*i.e.*, parties other than the inventor or

original assignee), brought an unusually high number of these suits, *id.* at 815-16, which suggests that much of infringement litigation is driven by patent owners opportunistically seeking out lawsuits. Consistent with the incentives for delay discussed above, abusive companies have adopted the strategy of acquiring old patents to challenge methods and technologies used by a wide variety of financial services companies after those methods and practices have become entrenched throughout the industry *See* Brian J. Love, *An Empirical Study of Patent Litigation Timing: Could a Patent Term Reduction Decimate Trolls Without Harming Innovators?*, 161 U. Pa. L. Rev. 1309, 1345 (2013) ("Love, *Patent Litigation Timing*") (finding that for more than 80% of adjudicated patents in the author's sample that were litigated in the last three years of the patent term, non-practicing entities failed to establish that the patent claims were valid and had been infringed).[8]

Maxim Integrated Products, Inc., for example, has made a business out of suing financial services companies (among others) for offering mobile-banking applications on smartphones. Maxim acquired patents that were originally issued in

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[8] Professor Love's study pool consisted of all patents that issued between May 11, 1993 and May 10, 1994 that were litigated by the time of his study in March 2013. Love, *Patent Litigation Timing*, 161 U. Pa. L. Rev. at 1317-18. Of the 1180 total patents in this study pool, Love randomly selected 472 (two-fifths), and after excluding 51 that were never actually asserted against an alleged infringer, conducted his analysis on the remaining 421. *Id.* at 1320-21.

connection with the development of a product called the "iButton"—a small steel fob containing basic internal circuitry designed to store and transfer data, such as digital money for a bus or subway fare. In 2012, ten years after these patents issued, Maxim began to assert those patents against companies in the financial services industry, sending generic notice letters to numerous financial services institutions and subsequently filing suit against many of the companies for alleged patent infringement. *See, e.g.*, Compl. ¶¶ 23-24, *Maxim Integrated Prods., Inc. v. Bank of America Corp.*, No. 12-cv-617-RAS, D.I. 1 (E.D. Tex. filed Oct. 1, 2012). Notwithstanding the weaknesses of Maxim's patent claims, accused financial services institutions have repeatedly settled, rather than face the enormous risk of incurring damages based on the millions of financial transactions now effected with mobile banking applications. *See In re Maxim Integrated Prods., Inc.*, MDL No. 2354, 2015 WL 867651, at *1 & n.1 (W.D. Pa. Feb. 27, 2015) (noting that all but one defendant in the multi-district litigation had settled with Maxim); *id.* D.I. 1072 (Dec. 2, 2015) (reporting a settlement by the lone holdout).

No doubt encouraged by its success leveraging settlements from its dubious patent claims, Maxim filed a new round of suits in 2015 against additional financial services companies based on the same general theory. *See Maxim Integrated Prods., Inc. v M&T Bank Corp.*, No. 15-cv-02167-DLC, D.I. 1 (S.D.N.Y. filed Mar. 23, 2015); *Maxim Integrated Prods., Inc. v. HSBC Bank USA, N.A.*, No. 15-cv-02168-DLC, D.I. 1 (S.D.N.Y. filed Mar. 23, 2015);

Maxim Integrated Prods., Inc. v. Santander Bank, N.A., No. 15-cv-02169-DLC, D.I. 1 (S.D.N.Y. filed Mar. 23, 2015). Once again, the actions ended in quick settlements. *See Maxim Integrated Prods., Inc. v M&T Bank Corp.*, No. 15-cv-02167-DLC, D.I. 57 (S.D.N.Y. Oct. 30, 2015) (reporting settlements in all three actions). Absent a potential laches defense, nothing would stop Maxim from filing the same suit every few years going forward against additional financial services companies as more and more customers conduct their banking on mobile devices.

Laches provides accused infringers with one important way to fight back against opportunistic and abusive suits. *See* Mann, *Financing*, 83 Tex. L. Rev. at 1027-28 (arguing that rigorous application of the laches doctrine could mitigate the problem of opportunistically timed patent suits). Of course, even with a laches defense, many companies will settle these suits rather than incur the substantial costs of patent litigation. *See* Megan M. La Belle, *Against Settlement of (Some) Patent Cases*, 67 Vand. L. Rev. 375, 404 (2014). Without laches as a defense to protect against economic prejudice caused by delay, however, companies would have to gamble that a court will agree on the merits that patent claims were either invalid or not infringed. When the suit comes with risks of enormous liability and could imperil the company's entire way of doing business, most companies will decline to place the bet.

CONCLUSION

The Court should hold that laches is available as a defense to claims for damages in patent infringement actions and should further hold that the defense may bar entire suits for damages, injunctive relief, or both.

Respectfully submitted.

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SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,
Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC,
FIRST QUALITY HYGIENIC, INC.,
FIRST QUALITY PRODUCTS, INC., AND
FIRST QUALITY RETAIL SERVICES, LLC,
Respondents.

On Writ of Certiorari
to the United States Court of Appeals
for the Federal Circuit

BRIEF OF BRIGGS & STRATTON CORPORATION, ROCKWELL AUTOMATION, INC., AND WISCONSIN MANUFACTURERS & COMMERCE AS *AMICI CURIAE* IN SUPPORT OF RESPONDENTS

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INTEREST OF AMICI CURIAE

The Amici either are or represent companies that manufacture tangible products in the United States.[1] The laches defense is particularly important to manufacturers of tangible products like the Amici, because such products can often be easily modified, thus avoiding the potential for significant damages in the face of allegations of patent infringement. Laches discourages patent owners from unreasonably delaying suit and thereby prejudicing potential defendants by allowing damages that could have been avoided to continue to accrue. A decision that overrules established precedent recognizing laches as a defense would eliminate the patent owner's duty to avoid unreasonable and prejudicial delay, and deprive companies like the Amici of the opportunity to avoid unnecessary exposure to additional damages by designing around an asserted patent.

Briggs & Stratton Corporation ("Briggs") is the world's largest manufacturer of small gasoline engines. Briggs is also a leading manufacturer of generators, lawn and garden equipment, and related service parts and accessories. Headquartered outside Milwaukee, Wisconsin, Briggs was founded over 100 years ago and now employs over 5,700 people. Like other manufacturing companies that invest heavily in the designs of their products, Briggs

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[1] No party's counsel authored this brief in whole or in part, no party or party's counsel contributed money to fund the preparation or submission of this brief, and no person other than amici curiae and their counsel contributed any money to fund the preparation and submission of this brief. Petitioners' blanket consent is on file with the Clerk of the Court, and Respondents have consented to the filing of this brief.

has an interest in preserving the established defense of laches in patent litigation as set forth in *A.C. Aukerman Co. v. R. L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc), and reaffirmed by the Federal Circuit in this case. A Briggs subsidiary is currently a defendant in *Exmark Mfg. Co., Inc. v. Briggs & Stratton Power Prods. Grp., LLC*, No. 8:10-cv-00187 (D. Neb.), a patent infringement case in which the plaintiff waited over 10 years to sue Briggs. Briggs asserted laches as a defense and is currently appealing the district court's decision on that issue, among others, to the Federal Circuit. This Court's decision regarding the continued viability of the laches defense in patent infringement cases may affect Briggs's potential liability in the *Exmark* case and in future litigation.

Rockwell Automation, Inc. ("Rockwell") is the world's largest company dedicated to industrial automation power, control and information solutions for manufacturers. Rockwell's products and services are designed to reduce total cost of ownership, maximize asset utilization, improve time to market, and reduce enterprise business risk. Its two operating segments, headquartered in Wisconsin and Ohio, employ about 8,500 people in the United States. Rockwell serves major market segments of the U.S. economy, including food and beverage, transportation, oil and gas, metals, mining, and life sciences.

Wisconsin Manufacturers & Commerce ("WMC") is the Wisconsin state chamber of commerce, the state manufacturers' association, and the state safety council. Founded in 1911, WMC is Wisconsin's leading business association dedicated to making Wisconsin the most competitive state in the

nation. WMC works to advance policies that are in the public interest of Wisconsin and the nation. Currently, the association has nearly 3,800 members, including both large and small manufacturers, service companies, local chambers of commerce, and specialized trade associations.

SUMMARY OF ARGUMENT

The continued availability of the well-established laches defense furthers the purposes of patent law and is good public policy. Laches incentivizes timely enforcement of patents by ensuring that: (1) patent disputes are heard when the relevant evidence is fresh; and (2) the risk of significant infringement damages may be avoided by modifying products—often in innovative ways that benefit the public—so that they are non-infringing.

In Briggs's case, for example, it was unaware of the asserted patent (issued in 1999) until a lawsuit was filed in 2010. The patent at issue covered the shape of a lawn mower "baffle," a bent piece of metal that directs airflow. Had it been sued earlier, Briggs could have avoided the accrual of years of potential damages by easily and inexpensively altering the shape of its baffles to avoid any question of infringement; indeed, when the plaintiff finally did sue, Briggs was able to modify its products within a few months for far less than the cost of a litigation defense. In addition, the Briggs employee who designed the accused product feature in the late 1990s left the company long ago. Briggs was thus directly disadvantaged in its defense by the plaintiff's decade-long delay in bringing suit. In the Briggs case and in cases like it, laches can bar the plaintiff from recovering damages that the accused infringer could have avoided, and/or better defended

itself against, if the plaintiff had not unreasonably delayed in filing suit.

The laches defense, which incentivizes patent owners to sue within a reasonable period of time, is particularly important to manufacturers of tangible products like Briggs and the other Amici, because such products can often be easily modified. When promptly sued, manufacturers have the opportunity to avoid substantial additional damages by altering their products, often in innovative ways that benefit the public. This allows manufacturers to use their limited resources to make better products rather than defend against unreasonably delayed lawsuits. Prompt enforcement also means that a patent's validity is resolved sooner, which benefits the public by making clear what is and is not available for public use.

Were the Court to eliminate the laches defense in patent cases, owners of patents that are easy to design around would have an incentive to lie in wait to seek from manufacturers damages that never would have accrued had the patents been enforced earlier. The owners of such patents would wait for a competitor's most lucrative six-year period of sales before suing for infringement—whether the wait is six years, ten years, or more—in order to claim the largest possible amount of damages. Incentivizing such tactics is bad policy because it would allow patent owners to exploit the inherent uncertainties of litigation to extract settlements and/or to seek damages far in excess of the true value of easily-avoided patents. Permitting recovery of these inflated costs from manufacturers would, among other things, hinder innovation by reducing the resources available to manufacturers for research

and development, thereby undermining the purpose of patent law, enshrined in the Constitution, to "promote the progress of science and useful arts."

ARGUMENT

I. *Petrella* Does Not Require Elimination Of The Laches Defense In Patent Cases

Laches has been recognized as a valid defense in patent infringement cases as far back as 1893. *See Aukerman*, 960 F.2d at 1028 (citing cases). Twice in the past 25 years—in *Aukerman* and in *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311 (Fed. Cir. 2015) (en banc)—the Federal Circuit has explained why laches is and should be available in patent cases, and courts have consistently applied this established law. *See, e.g., Lautzenhiser Techs., LLC v. Sunrise Med. HHG, Inc.*, 752 F. Supp. 2d 988 (S.D. Ind. 2010); *Crown Packaging Tech., Inc. v. Rexam Beverage Can Co.*, 679 F. Supp. 2d 512, 519 (D. Del. 2010); *Gossen Corp. v. Marley Mouldings, Inc.*, 977 F. Supp. 1346 (E.D. Wis. 1997). Petitioners seek to upend this settled and familiar precedent that has been uniformly applied across the country based on the Court's decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), a copyright case that analyzed a different statute with different language that protects different types of property in different ways. As Respondents have explained, the Federal Circuit correctly analyzed the statutory text, legislative history, and relevant caselaw in holding that the laches defense has traditionally been and remains available in patent cases. The Amici will not belabor those points here, but instead will explain why the Federal Circuit's decision makes sense in light of the purpose of patent law and the

differences between how patents and copyrights are created and protected. These differences help explain why the Court should reject Petitioners' attempt to change the law, and affirm the longstanding precedent that laches is a viable defense to patent infringement damages.

The purpose of patent law is "[t]o promote the progress of science and useful arts." U.S. Const. art. I, § 8. To further that purpose and to incentivize the creation of useful products that will benefit society, Congress has granted inventors "the right to exclude others from making, using, offering for sale, or selling the invention." 35 U.S.C. § 154(a)(1); *see also Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480 (1974). In exchange for this monopoly. the patent laws require public disclosure of the invention claimed, "which disclosure, it is assumed, will stimulate ideas and the eventual development of further significant advances in the art." *Kewanee Oil*, 416 U.S. at 481. Thus, "stopping infringement" is not the goal of patent law, but rather "a means to patent law's ends" of disclosure and dissemination, which "permit[s] others to benefit from useful inventions." *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1937 (2016).

The laches defense directly promotes this purpose. "The purpose of a laches defense is to punish dilatory patentees and in so doing to encourage all patentees to seek infringement remedies in a timely manner." *Odetics, Inc. v. Storage Tech. Corp.*, 14 F. Supp. 2d 785, 790 (E.D. Va. 1998), *aff'd*, 185 F.3d 1259 (Fed. Cir. 1999); *see also Troxler Elec. Labs., Inc. v. Pine Instrument Co.*, 597 F. Supp. 2d 574, 598 (E.D.N.C. 2009). Recognizing that the timely enforcement of patent

rights is critical to the patent system, the Federal Circuit has found that patent owners have a duty to police their rights, and that laches is one manifestation of that duty. *See Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1337-38 (Fed. Cir. 1998) (finding that because the period of delay for laches purposes can begin when a patentee has constructive knowledge of infringement, patentees have a duty to police their rights). Laches incentivizes patentees to enforce their rights in a timely manner, which "disseminate[s] knowledge about" patents, thus allowing others either to pay for use of the invention, which "permit[s] others to benefit," or to design around a patent, which "encourage[s] the development of useful inventions." *Halo*, 136 S. Ct. at 1937 Eliminating the laches defense would effectively eliminate the patent owner's duty to police its patent rights, thereby removing an established and effective tool for achieving the Constitutionally-prescribed goal of the patent system.

While patent and copyright laws share a Constitutional grounding, Congress has chosen to establish separate statutory regimes for the creation and enforcement of rights relating to the two different types of intellectual property. *Compare* 17 U.S.C. §§ 101-810 *with* 35 U.S.C. §§ 101-376. As the Federal Circuit pointed out in this case, among the many differences between the two statutory regimes is the fact that patent infringement, unlike copyright infringement, is a strict liability tort that can be committed by individuals or companies who are completely unaware of the patents they are infringing. *See SCA Hygiene*, 807 F.3d at 1330. This point bears emphasis and elaboration because this distinction helps explain why Congress would

permit the assertion of the laches defense in one area but not the other.

The Copyright Act grants the owner of a copyrighted work the exclusive right to "reproduce the copyrighted work," "prepare derivative works based upon the copyrighted work," "distribute copies" of the work, perform or display the copyrighted work publicly, and to perform the work publicly "by means of a digital audio transmission." 17 U.S.C. § 106. The Act holds liable as an infringer "[a]nyone who violates any of the exclusive rights of the copyright owner." 17 U.S.C. § 501. By the very nature of these rights, an infringer must not only know about the copyrighted work, he or she must also deliberately act to copy or use the work in order to infringe; one cannot "reproduce," "distribute copies" of, or "perform" a work without knowing about the work and choosing to perform these actions.

In contrast, the Patent Act requires no such deliberate action to take the work of another to impose liability for infringement. It simply provides that "whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent." 35 U.S.C. § 271(a). While this definition of infringement can impose liability on those who deliberately steal the work of another, copying is not required to prove infringement. *See, e.g., Allen Eng'g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, 1351 (Fed. Cir. 2002) (finding that copying "is of no import on the question of whether the claims of an issued patent are infringed"). The patent infringement statute is broad enough to impose liability on those who

independently develop products that practice the claims of a patent, those who are unaware that an invention is patented, and those who have a good faith belief that a patent is invalid or that they are not infringing. *See, e.g.*, *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1926 (2015) (noting that because direct patent infringement is a strict liability tort, "a defendant's mental state is irrelevant"). And under the doctrine of equivalents, even proof of literal infringement of a patent's claims is not always required. *See Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 21 (1997) ("[A] product or process that does not literally infringe upon the express terms of a patent claim may nonetheless be found to infringe if there is 'equivalence' between the elements of the accused product or process and the claimed elements of the patented invention.").

In light of these principles, the Federal Circuit's conclusion that the language of the Patent Act permits the assertion of a laches defense, while the language of the Copyright Act does not, makes perfect sense because it furnishes an additional way to alleviate the consequences of conduct that may be innocent or inadvertent upon a showing of unreasonable delay and prejudice. The Court recently recognized and discussed in *Halo* how Congress has provided statutory mechanisms that allow infringers to be treated according to their level of culpability in order to make the punishment fit the crime, and explicitly tied these mechanisms to Congress's desire and intent to spare infringers who may not have been fully or knowingly culpable. The Court noted that as far back as 1854, it had recognized Congress's intention to avoid the "injustice of subjecting a defendant who acted in ignorance or good faith to the same treatment as the

wanton and malicious pirate." *Halo*, 136 S. Ct. at 1928 (citation and internal quotation marks omitted); *see id.* at 1932-34 (interpreting the enhanced damages provision of 35 U.S.C. § 284 to permit differential treatment of defendants based on different degrees of culpability). The Court also affirmed in *Halo* the principle that Congress can permit and even require courts to exercise their equitable discretion "to take into account the particular circumstances of each case." 136 S. Ct. at 1933. The laches defense allows courts to exercise exactly the same kind of differentiation of conduct and consequences to suit particular circumstances.

Moreover, as Respondents pointed out, patent law is "suffused with 'equitable approaches to judicial reasoning and lawmaking.'" (Resp. Br. at 4 (quoting Christopher Beauchamp, *The First Patent Litigation Explosion*, 125 Yale L.J. 848, 913 (2016)).) For example, courts have long had the power to bar enforcement of a patent based on inequitable conduct. *See Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1285-90 (Fed. Cir. 2011). And district courts have always had inherent power to dismiss a case or limit recovery due to a plaintiff's egregious misconduct. *See Chambers v. NASCO, Inc.*, 501 U.S. 32, 43-45 (1991) (discussing inherent powers of federal courts, including the court's power to vacate its own judgment and the power to dismiss a lawsuit). This has been true even where the plaintiff's claim was authorized by a statute. *Id.* Laches is similar in that it is an exercise of the court's equitable power to correct an unjust result that might otherwise result from the rote application of a statute or legal rule. *See Abraham v. Ordway*, 158 U.S. 416, 420 (1895) ("[E]quity may, in the exercise of its own inherent powers, refuse relief

where it is sought after undue and unexplained delay, and when injustice would be done, in the particular case, by granting the relief asked."). These cases and doctrines show that the equitable powers of the courts have long co-existed with and reinforced the mandates of Congress set forth in the statutory patent law.

Because the nature of patentable inventions and the liability imposed for infringement of such inventions differs from the nature of copyrighted works and the liability imposed for infringement of such works, Congress chose to codify the availability of the laches defense in patent cases but not in copyright cases. The laches defense complements and reinforces the structure and purpose of the Patent Act by providing protection for individuals and companies who may not have been aware of a patent when the patent owner unreasonably delays in bringing suit and who suffered prejudice as a result of the delay. Accordingly, *Petrella* does not compel the Court to overrule the Federal Circuit.

II. The Continued Availability Of The Laches Defense In Patent Cases Is Good Policy

Preservation of the status quo is not only consistent with the language, purpose, and history of the Patent Act, it is also good policy Elimination of the laches defense would allow patent owners to lie in wait and seek to recover from product manufacturers damages that could have been avoided by, *e.g.*, designing around a patent if suit had been brought sooner. In other words, a patent owner's unreasonable delay in bringing suit creates potential damages that might never have existed, and laches prevents the patent owner from recovering damages that have arisen due to the

patent owner's own unreasonable delay. Further, the passage of time inherently benefits patent owners facing invalidity challenges. In cases in which invalidity is asserted, the prior art and the motivations to combine that art must be considered at the time of the invention, but the quantity and quality of such evidence necessarily dwindles over time. Memories of persons with important knowledge about the field at the time of invention inevitably fade. Documents are lost or destroyed in the ordinary course of business. The incentive for prompt enforcement that laches provides ensures more reliable decisions and equitable recovery of damages.

A. Incentives For Timely Action Benefit Patentees, Potential Infringers, And The Public

1. *Timely Enforcement Allows Accused Infringers To Design Around Patents, Encouraging Further Innovation*

Courts have long recognized that timely suit (or even specific notice of potential infringement, along with reasonable follow-up) can provide accused infringers with the opportunity to modify their behavior in order to avoid infringement. *See Vaupel Textilmaschinen KG v. Meccanica Euro Italia S.P.A.*, 944 F.2d 870, 877 (Fed. Cir. 1991) ("Notice is important for several reasons. It informs the accused infringer of the existence of the suit and that a subsequent suit will be filed against him. He can then change his activities to avoid liability. He can also bring a declaratory judgment action if the delay in waiting for a judicial determination would be a burden upon his proposed activities."); *Everspin Techs., Inc. v. NVE Corp.*, No. 12-474, 2014 WL 988458, at *9 (D. Minn. Mar. 13, 2014) ("If [plaintiff],

or its predecessor, had brought its suit before the presumption of prejudice at six years, [defendant] would have had the opportunity to either design around the [plaintiff's] patents or wait before investing its time and resources into products that may infringe."); *id.* ("[Defendant] has also argued that it could have prevailed against infringement claims earlier, licensed the technology, negotiated a settlement, or stopped developing new GMR sensor and isolator products."); *Odetics, Inc. v. Storage Tech. Corp.*, 919 F. Supp. 911, 922 (E.D. Va. 1996) (finding that "notice would have allowed [defendant] to take some action to save itself from the potential liability it now faces"), *vacated on other grounds*, 116 F.3d 1497 (Fed. Cir. 1997). One way a potential infringer modifies its behavior is by designing around patents once it becomes aware of them. "[D]esign around" behavior is beneficial because it "bring[s] a steady flow of innovations to the marketplace," *State Indus., Inc. v. A.O. Smith Corp.*, 751 F.2d 1226, 1236 (Fed. Cir. 1985), thus furthering the Constitutional goal of "promot[ing] the progress of science and useful arts," U.S. Const. art. I, § 8.

The earlier a potential infringer is made aware of a claim for infringement, the better situated it is to design around the patent if possible, to negotiate a license, to exit the market, or to challenge the patent. Promoting early enforcement of patents is particularly important for manufacturers of tangible products like the Amici because a design modification is often easy and inexpensive to implement, with little effect on the overall commercial performance of the product. In the case of Briggs, the asserted patent relates to the specific shape of a "baffle" underneath a lawn mower—the baffle is simply a bent piece of metal. Within a few

months of being sued, and for far less than the cost of litigation, Briggs was able to change its manufacturing designs so that new lawn mower products had different baffles.

Briggs had been selling baffles like those accused of infringement since late 1998, nearly a year before the asserted patent issued in late 1999. If the plaintiff had brought suit—or at least informed Briggs of its allegations—before 2010, then Briggs could have avoided the accrual of years of potential damages or perhaps negotiated to avoid suit altogether. During plaintiff's decade-long delay, however, Briggs's product sales grew substantially, and plaintiff sought proportionately higher damages than it would have had it brought suit earlier. The increased size of plaintiff's damages demand was, therefore, of plaintiff's own making, and imposes needless costs on Briggs.

Were the Court to eliminate the laches defense in patent cases, other patent owners would be rewarded for acting strategically to delay bringing suit in order to recover higher damages, similarly imposing needless costs on manufacturers that may not even have been aware of these owners' patents. Such a plaintiff would attempt to exploit the larger amount of accused product sales to extract a higher settlement or to seek a jury award that exceeds the real value of the patent. This economic harm could be inflicted in any situation where a patent that is easily designed around is asserted against a tangible product manufacturer after an unreasonable delay. This type of harm would hinder innovation by, among other things, reducing the resources available to manufacturers for research and development to create new products and to improve existing ones.

2. *Laches Provides Security That Incentivizes Investments In Product Development*

For the many companies that prefer to avoid patent litigation altogether, the availability of a laches defense provides comfort that their investments in new technology or business expansion will not be undermined by patent owners who lie in wait for those investments to pay off, only to bring suit after an unreasonable delay. Courts have long recognized this as a purpose of laches:

> When patentees are dilatory, putative infringers, unaware of their infringement, may reasonably continue and even expand their infringing activities, thereby increasing both the magnitude of their ultimate liability and their stake and investment in the infringing activity. In these circumstances, it is unfair to penalize the infringer, who, after all, is only acting reasonably during the laches period. By contrast, it is fair to penalize the patentee, who is either aware of the infringement and is deliberately delaying any notice of infringement, or is ignorant of the infringement by virtue of its failure to police the patent adequately.

Odetics, Inc., 14 F Supp. 2d at 790 n.15.

This case provides a perfect example of the fact pattern identified in *Odetics*: First Quality was informed of potential infringement; it studied the issue in good faith and concluded it did not infringe

any valid claims; it explained this belief to SCA; then SCA fell silent for over six years, during which time First Quality made significant economic investments in the relevant product. First Quality then had to face a costly and time-consuming patent infringement lawsuit with exposure to potentially large damages. Even if an accused party attempts to avoid a dispute by spending time and money to change its products, it is unfair for the patent owner to wait six years and then bring suit alleging that the changes were insufficient to avoid infringement.

Briggs's case provides another real-world example. During the plaintiff's delay from 1999 until it filed suit in 2010, Briggs made significant investments in its products. In 2004, Briggs acquired a company that had been manufacturing and selling the accused products since late 1998. The amount that Briggs paid for that company may have been less if plaintiff had enforced its patents in a reasonably timely manner. In 2006, Briggs invested millions of dollars in restructuring its commercial lawn mower operations by, among other things, re-designing a line of mowers to use designs that the plaintiff, years later, eventually accused of infringement. Briggs also invested significant capital in expanding its product lines that included the feature later accused of infringement. Had plaintiff brought suit against Briggs in 2004, Briggs could have avoided damages thereafter by altering its product, just as it did when it was finally sued in 2010.

Plaintiff's delay in the Briggs case threatens the viability of Briggs's investments. Manufacturers of tangible products routinely make investments like those made by Briggs as described above. They

invest in tooling, marketing, the acquisition of other companies, and uniformity in manufacturing across their product lines. A patent owner's duty to police its patents diligently ensures that manufacturers can account for the risk of infringement around the time that such investments are made, and the laches defense ensures that these investments will not be undermined later by a patent owner's unreasonable delay in filing suit. Absent laches, more manufacturers' investments will be at risk, raising the costs of product manufacture, reducing resources available for innovation, harming the public, and thwarting the Constitutional purpose of promoting the progress of science and useful arts.

Many other cases demonstrate how the laches defense can protect investments and expansion of sales made during periods when patentees could have enforced their rights but unreasonably delayed in doing so. *See, e.g., Medinol Ltd. v. Cordis Corp.*, 15 F Supp. 3d 389, 408-09 (S.D.N.Y. 2014) (finding defendant suffered economic prejudice when it had made substantial investments during the period of delay); *ABB Robotics, Inc. v. GMFanuc Robotics Corp.*, 828 F. Supp. 1386, 1394 (E.D. Wis. 1993) (holding "as a matter of law that increasing sales [without additional evidence of capital investments] may constitute economic prejudice") (internal emphasis omitted), *aff'd*, 52 F.3d 1062 (Fed. Cir. 1995); *Odetics, Inc.*, 919 F Supp. at 923 (finding that during the period of delay, the defendant "made a substantial investment in the development, manufacturing, and marketing of its systems, including expanding its product line in the 1990s"); *Potash Co. of Am. v. Int'l Minerals & Chem. Corp.*, 213 F.2d 153, 156 (10th Cir. 1954) ("It is equally inequitable for the patent owner to sleep on

his rights and lead an infringer to make large investments in the belief that he is not infringing or that the patent rights are not to be pressed.").

Laches also provides certainty that investments will not be undermined by gamesmanship that serves no other purpose than to inflict needless, avoidable costs on one party for the financial benefit of another. A ruling that eliminates or restricts the availability of laches will negatively impact the Amici's and other product manufacturers' ability to forecast the costs of commercializing products. These costs would diminish resources that otherwise could have been spent making better products for the public.

3. Laches Reduces Wasteful "Patent Troll" Litigation

A related benefit of the availability of the laches defense is its effect on reducing wasteful litigation by so-called "patent trolls," *i.e.*, companies whose sole business is the assertion of patent infringement lawsuits. As Congress, the executive branch, the courts, and scholars have recognized, patent trolls impose significant costs on our judicial system, the business community, and the public. *See, e.g.*, Press Release, House Judiciary Committee Chairman Bob Goodlatte, *Goodlatte Introduces Patent Litigation Reform Bill* (Feb. 5, 2015), http://goodlatte.house.gov/news/documentsingle.aspx?DocumentID=266 (announcing introduction of a patent litigation reform bill intended to reduce litigation by patent trolls); Executive Office of the President, *Patent Assertion and U.S. Innovation* (June 2013), https://www.whitehouse.gov/sites/default/files/docs/patent_report.pdf (concluding that "[a] review of the

evidence suggests that on balance, such patent assertion entities (PAEs) (also known as 'patent trolls') have had a negative impact on innovation and economic growth."); *Overstock.com, Inc. v. Furnace Brook, LLC*, 420 F. Supp. 2d 1217, 1222-23 (D. Utah 2005) (expressing concerns about patent trolls), *aff'd*, 191 F App'x 959 (Fed. Cir. 2006); James Bessen et al., *The Private and Social Costs of Patent Trolls*, 34 Regulation 26, 26 (Winter 2011–2012) (estimating that "defendants have lost over half a trillion dollars in wealth—over $83 billion per year during recent years" due to litigation by patent trolls and concluding that this litigation "has not improved incentives to innovate").

Laches provides an important tool to reduce litigation that serves only to increase costs and stifle innovation. Many patent trolls actively seek patents that have historically not been enforced, or acquire patents and then delay enforcement themselves, so that when they bring suit they have more leverage to negotiate higher settlements due to the increased royalties accrued during periods of delay. Further, in many cases, patent trolls acquire their patents from companies that have chosen not to enforce them for many years. Laches would prevent a plaintiff from recovering damages for the time during which the prior owner chose not to enforce a patent. Without laches, patent trolls would be able to unfairly benefit from their own, or another's, unreasonable delay in enforcing a patent.

B. Retaining The Longstanding Laches Defense In Patent Cases Will Not Result In A Flood Of Premature Litigation

Contrary to Petitioners' unsupported assertion, retaining the longstanding laches defense in patent

cases will not "encourage patent holders to litigate prematurely in order to avoid losing their rights." (Pet. Br. at 5.) As discussed above, laches has been established in patent cases for over a century and was explicitly reaffirmed more than two decades ago in *Aukerman*, which provides very clear guidance about how to prove or defeat a laches defense. *See* 960 F.3d at 1032-39. Patent owners are well-accustomed to dealing with laches defenses, and Petitioners provide no evidence to support their claim that maintaining the status quo will somehow affect litigants' behavior.[2]

Moreover, proving laches still requires a showing of both unreasonable delay and prejudice to the accused infringer arising from that delay. *See Aukerman*, 960 F.2d at 1032. As discussed above, it is good policy to bar recovery when these elements are proven because unreasonable delay stifles innovation, thwarting the Constitutional purpose of patent laws and harming manufacturers and the public. The Amici do not suggest any change to the longstanding patent standard or to the modifications made by the Federal Circuit in this case to account for the Court's decision in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006). *See*

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[2] Petitioners' suggestion that retaining the laches defense undermines predictability, *see* Pet.'s Br. at 46, similarly lacks merit. The standard for proving laches under *Aukerman* and *SCA Hygiene* is uniform across the country, and just this past term, the Court recognized that in patent cases, district courts applying their discretion "are 'to be guided by [the] sound legal principles' developed over nearly two centuries of application and interpretation of the Patent Act." *Halo*, 136 S. Ct. at 1935 (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005)).

SCA Hygiene, 807 F.3d at 1331-33. Instead, the Amici ask the court to preserve the law that has permitted the assertion of laches in patent cases for over a century.

CONCLUSION

For the foregoing reasons, the Court should hold that laches continues to be a viable defense in patent infringement actions.

Respectfully submitted,

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IN THE

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SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC,
FIRST QUALITY HYGIENIC, INC.,
FIRST QUALITY PRODUCTS, INC., AND
FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF COOK MEDICAL LLC AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENTS

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INTEREST OF *AMICUS CURIAE* [1]

Amicus curiae Cook Medical LLC ("Cook Medical") is a global leader in the medical device industry, providing groundbreaking, lifesaving technologies for the medical field. Most recently, Cook Medical and others in the industry have become favored targets of patent assertion entities ("PAEs") that acquire and assert medical device patents issued many years ago. PAEs often seek to use a medical device company's product investments and the potential damages that accrue during the delay in filing suit as a weapon for making enormous settlement demands or demanding higher licensing fees. Cook Medical believes its experience in dealing with stale – and unfounded – claims by PAEs may be useful to the Court in addressing the laches questions under consideration.

In one such case, Cook Medical is the respondent in *Endotach LLC v. Cook Medical LLC*, No. 16-127, pending in this Court ("*Endotach Supreme Court Appeal*").[2] Most pertinent here, the district court in the *Endotach Supreme Court Appeal* granted summary judgment in favor of Cook Medical on its laches defense with respect to the two patents asserted by Endotach LLC ("Endotach") against Cook Medical. *Endotach LLC v. Cook Medical Inc.*, No. 13-01135, Dkt. No. 229, slip op. at 42–43 (S.D. Ind. Jan. 27, 2015)

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[1] No counsel for any party authored this brief in whole or in part and no person other than *amicus curiae*, its members, and its counsel made a monetary contribution intended to fund this brief's preparation or submission. Petitioners have filed a blanket consent with the Court. Counsel for Respondents has consented to the filing of this *amicus* brief, and their consent letter is on file with the Clerk's office.

[2] Cook Medical LLC is the surviving entity following conversion of Cook Medical Incorporated to Cook Medical LLC.

("*Endotach District Court Litigation*").[3] Endotach appealed the district court's decision to the Federal Circuit Court of Appeals. Pertinent here, the Federal Circuit affirmed the district court's decision on laches. *Endotach LLC v. Cook Medical LLC*, No. 2015-1357, Dkt. No. 64 (Fed. Cir. May 6, 2016) ("*Endotach Federal Circuit Appeal*"). Endotach LLC appealed to this Court the Federal Circuit's order in the *Endotach Federal Circuit Appeal*. Petition for a Writ of Certioari, *Endotach LLC v. Cook Medical LLC*, No. 16-127 (July 25, 2016). This Court's decision here may affect the outcome of the *Endotach Supreme Court Appeal*.

SUMMARY OF ARGUMENT

The laches defense serves an essential role in protecting defendants in patent infringement cases from suffering economic and evidentiary prejudice caused by a patentee's unreasonable delay in bringing suit. This Court has recognized the importance of the laches defense in patent cases noting: "[c]ourts of equity, it has often been said, will not assist one who has slept upon his rights, and shows no excuse for his laches in asserting them." *Lane & Bodley Co. v. Locke*,

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[3] The two asserted patents are U.S. Patent No. 5,122,154 (the "'154 patent") and U.S. Patent No. 5,593,417 (the "'417 patent"). They sometimes are referred to collectively as the "Rhodes Patents" after the named inventor, Dr. Valentine J. Rhodes. The '154 patent issued on June 16, 1992 and expired on August 15, 2010. The '417 patent issued on January 14, 1997 and expired on November 27, 2015. On May 6, 2016, the Federal Circuit affirmed a finding by the Patent Trial and Appeal Board that all asserted claims of the '417 patent were unpatentable. *Endotach LLC v. Medtronic, Inc.*, 639 F. App'x 644, 645 (Fed. Cir. 2016); *see also Medtronic, Inc. v. Marital Deduction Trust*, IPR2014-00100, Paper 46 at 29, 2015 WL 1384339, at *18 (P.T.A.B. Mar. 24, 2015).

150 U.S. 193, 200-01 (1893). Laches should remain a viable defense in patent cases, and the Federal Circuit's en banc decision in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products LLC*, 807 F.3d 1311 (Fed. Cir. 2015) affirming, in part, the Federal Circuit's decision in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc) should be upheld.

Amicus curiae's experience presents a real-world application of the laches defense in patent cases that exemplifies the criticality of the defense. Medical device companies, such as Cook Medical, expend substantial time and monetary investments in research and development of new devices, gaining premarket approval from the United States Food & Drug Administration ("FDA"), and maintaining compliance with the FDA's postmarket regulations. When a patentee sleeps on its rights, the laches defense protects medical device companies from suffering economic prejudice caused by the delay.

The laches defense also protects a defendant from suffering evidentiary prejudice caused by the patentee's delay that prevents a defendant from presenting a full and fair defense in patent cases. In stark contrast to copyright cases, extrinsic evidence serves a pivotal role in patent cases. When a patentee delays filing suit, the risks of lost extrinsic evidence, witness unavailability including death and fading memories increase to the detriment of a defendant. The elimination of the laches defense would unfairly inure to the benefit of the dilatory patentee and create an unacceptable uncertainty in the marketplace that deters innovation.

INTRODUCTION

Bill Cook founded the first of the Cook Medical family of companies in Bloomington, Indiana in 1963. Initially producing wire guides, needles, and catheters, the Cook Medical family of companies today makes 16,000 products. Its world headquarters in Bloomington is home to nearly 2,500 employees.

The required approval of medical devices by the FDA is a long, rigorous, and costly process, as the district court in the *Endotach District Court Litigation* recognized for the Cook Medical Zenith Products[4] at issue in that case:

> Cook has spent many millions of dollars to develop the Accused Products, including biocompatibility, bench, graft permeability and animal testing; finite element analysis; clinical trials; preparing clinical data for the [FDA]; presenting to the FDA circulatory device panel and ultimately achieving FDA premarket approval. From 2003 to 2013, Cook invested hundreds of millions of dollars in marketing and sales of the Accused Products as well as hundreds of millions of dollars in royalties. . During that period of time, sales of the Accused Products ha[ve] increased.

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[4] One of Cook Medical's product lines consists of endovascular stent-grafts marketed under the name "Zenith" and used for treating aortic aneurysms ("Zenith Products"). The Zenith Products have been showcased at major scientific meetings and used at tradeshows to demonstrate the use and advantages of stent-graft procedures. The first of the Zenith Products was implanted in a patient in Australia in 1993. Cook Medical received regulatory approval for the Zenith Product line in Europe in 2000 and in the United States in 2003.

(*Endotach District Court Litigation*, Dkt. No. 229, slip op. at 25.)

Laches should remain a defense to claims of patent infringement occurring within the six-year damages period established by 35 U.S.C. § 286. The defense of laches protects the enormous investments that medical device companies and others are required to make in order to sell their FDA-regulated products when, through no fault of their own, the companies are forced to defend against stale claims of patent infringement. *See Aukerman*, 960 F.2d at 1033. Laches also shields against unjust deprivations that may result from an inability to present full and fair defenses because the passage of time has led to lost records, faded memories, and the deaths of potential witnesses. *Id.*

Cook Medical agrees with Respondents, First Quality Baby Products, LLC, First Quality Hygienic, Inc., First Quality Products, Inc., and First Quality Retail Services, LLC ("First Quality"), that laches should remain a defense in patent cases. *See* Resp. Br. 16-33. First Quality has convincingly explained why the Court's decision in *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014), does not affect the availability of laches in patent cases and why the Federal Circuit's decision in *SCA Hygiene* should be upheld. *See id.* at 36-49. Cook Medical also agrees with First Quality that the presumption of prejudice after six years of delay should be retained. *See id.* at 51-53.

Cook Medical will not repeat First Quality's arguments here. Instead, Cook Medical will focus on real-world experiences from the medical device industry to illustrate why the laches defense has been, and why it must remain, a central tenet of patent law.

ARGUMENT

I. THE LACHES DEFENSE PROTECTS THE MEDICAL DEVICE INDUSTRY FROM SUFFERING UNJUST ECONOMIC PREJUDICE.

The FDA regulates the U.S. sale of medical device products (including diagnostic tests) and monitors the safety of all regulated medical products. *FDA's Role in Regulating Medical Devices*, FDA, http://www.fda.gov/MedicalDevices/ProductsandMedicalProcedures/HomeHealthandConsumer/HomeUseDevices/ucm204884.htm (last visited Sept. 15, 2016). Before any but the lowest risk medical devices can be legally sold in the United States, the person or company desiring to sell the device must seek and obtain marketing authorization from the FDA. FDA clearance or approval of medical devices occurs through one of two primary regulatory pathways: the 510(k) process, *see* 21 U.S.C. § 360(k), or the Premarket Approval ("PMA") process, *see id.* § 360e,[5] depending on the level of potential risk associated with use of the device.

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[5] The FDA uses the PMA process to evaluate the safety and effectiveness of medical devices that "support or sustain human life, are of substantial importance in preventing impairment of human health, or which present a potential, unreasonable risk of illness or injury." *Premarket Approval (PMA)*, FDA, http://www.fda.gov/MedicalDevices/DeviceRegulationandGuidance/HowtoMarketYourDevice/PremarketSubmissions/PremarketApprovalPMA/ucm2007514.htm (last visited Sept. 15, 2016). For medical devices for which a PMA is not required, the FDA uses the 510(k) process to evaluate whether the proposed medical device is substantially equivalent to a legally marketed device. *Premarket Notification 510(k)*, FDA, http://www.fda.gov/MedicalDevices/DeviceRegulationandGuidance/HowtoMarketYourDevice/PremarketSubmissions/PremarketNotification510k/default.htm (last visited Sept. 15, 2016).

JOSH MAKOWER et al., FDA IMPACT ON U.S. MEDICAL TECHNOLOGY INNOVATION 12-13 (2010). The 510(k) process is less expensive and less time-consuming than the PMA process. JUDITH A. JOHNSON, FDA REGULATION OF MEDICAL DEVICES (CRS REPORT NO. R42130) Summary (Cong. Res. Serv. 2012), *available at* https://www.fas.org/sgp/crs/misc/R42130.pdf. To gain approval, the applicant must present evidence that the device is reasonably safe and effective for a particular use. MAKOWER, 14.[6]

According to a 2010 survey of over 200 medical technology companies, the average cost to bring even a 510(k) medical device from concept to FDA clearance was approximately $31 million. *Id.* at 28. Of that total, $24 million was spent on "FDA dependent and/or related activities." *Id.* Bringing a PMA device from concept to approval carried an average cost of $94 million, "with $75 million spent on stages linked to the FDA." *Id.*

As part of the approval process, the FDA may request clinical data. This request often requires that a company seek permission to perform clinical trials through an investigational device exemption ("IDE"). *Id.* at 12. According to the 2010 survey, every month that a company spends seeking an IDE costs an additional $400,000 for 510(k) products and over $750,000 for PMA products. *Id.* at 28. On average, this additional process takes ten to fifteen months and costs millions of dollars. *Id.* at 29–30, Figs. 8, 11.

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[6] This Court has acknowledged that the PMA process is "rigorous" and requires the submission of "detailed information regarding the safety and efficacy of their devices, which the FDA then reviews, spending an average of 1,200 hours on each submission." *Medtronic, Inc. v. Lohr*, 518 U.S. 470, 477 (1996).

Medical device development costs also may include "proof of concept (for example, bench testing and animal testing), clinical unit development, safety and feasibility studies (for example, small-group human trials), [and] pivotal trials." PUBLIC HEALTH EFFECTIVENESS OF THE FDA 510(K) CLEARANCE PROCESS: BALANCING PATIENT SAFETY AND INNOVATION, 20 (Theresa Wizemann ed., 2010). When a company's overhead is included, navigating devices from concept to clearance or approval may cost as much as $73 million for 510(k) products and $136 million for PMA products. *Id.*

In addition to premarket approval, the FDA requires compliance with postmarket regulations on "labeling and advertising, manufacturing, postmarketing surveillance, device tracking [when so ordered by the FDA for a specific product], and adverse event reporting." JOHNSON, 13. These postmarket regulations demand even further investments of time and money that may not be recovered for years and/or until a product's third or fourth generation. *See* Wizemann, 20.

In the *Endotach District Court Litigation*, several of the Zenith Products targeted for claims of patent infringement had been sold in the United States since 2003, but Endotach did not attempt to sue Cook Medical until 2012. During the 10-year period of delay, Cook Medical spent millions of dollars in development, clinical testing, and acquiring FDA approvals for the product line, as well as investing hundreds of millions of dollars in related marketing and sales and in royalties, all as sales of Zenith

Products increased. (*See Endotach District Court Litigation*, Dkt. No. 229, slip op. at 25.)

The district court in the *Endotach District Court Litigation* recognized the economic prejudice that Cook Medical suffered as a result of Endotach's delay:

> There is also no question of material fact that Cook was prejudiced by the delay in being sued for infringement of the Rhodes patents. Here, over the nearly ten year delay, Cook invested large sums of money in development, promoting, and marketing its endovascular product line and, if it had been sued in a timely manner, could have altered its business strategy. There is no dispute that Cook has increased its market presence during the delay period. Further, although there is evidence that another Cook entity, Cook Group, Inc., had knowledge of at least the '154 patent, there is no indication that the entity sued in this case had been put on notice that it might be sued for infringement at any time. For these reasons, there is no material question of fact that Cook suffered economic prejudice because of the delay.

(*Id.* at 36.)

The Federal Circuit in *SCA Hygiene* also recognized this distinction in patent cases as compared to copyright cases stating:

> In patent law, however, the calculus is different [from copyright law]. For example, in the medical device industry, a company may independently develop an invention and spend enormous sums of money to usher

> the resultant product through regulatory approval and marketing, only to have a patentee emerge six years later to seek the most profitable six years of revenues.

SCA Hygiene, 807 F.3d at 1330.

Laches rightly discourages patentees from waiting silently and watching damages accrue. *Aukerman*, 960 F.2d at 1033. Given the significant investments that are required for the development and regulated sale of medical devices, early notice of possible infringement is crucial.

As noted above, PAEs have started to acquire medical device patents issued many years ago and are asserting those patents against the medical device industry. As part of their strategy, PAEs use the targeted company's product investments and the potential accruing damages during the delay in filing suit to try to extract higher royalties. When PAEs and others unreasonably and inexcusably delay asserting a claim, medical device companies such as Cook Medical rely upon the laches defense to counter this strategy and to protect their good-faith investments and product growth.

While non-infringement and invalidity defenses often carry the day in defending against these cases, the laches defense is an important arrow in the targeted company's quiver. The laches defense preserves a medical device company's significant investments – buildings, factories, employees, machines, and products – and may short-circuit extensive and expensive discovery on non-infringement and invalidity, and thereby also preserving judicial resources. *See, e.g, Lautzenhiser Techs., LLC v. Sunrise Med. HHG, Inc.*, 752 F. Supp. 2d 988, 1004 (S.D. Ind. 2010)

(finding economic prejudice where defendants spent tens of millions of dollars in product development, research and development, marketing, and sales of the accused products); *Integrated Cards, L.L.C. v. McKillip Indus., Inc.*, No. 06 C 2071, 2009 WL 4043425, at *6 (N.D. Ill. Nov. 19, 2009) (finding economic prejudice where during the delay the accused infringer spent over one million dollars in several new machines to produce the accused products).

While a patentee delays, the original medical device brought to market often expands into an entire product line introduced product by product over time. The medical device company's investment also likely has increased considerably through government-imposed regulations and required testing.

These delays and these costs should not inure to the benefit of an inattentive or a calculating patent owner, all to the detriment of a medical device manufacturer working to help save lives, be it Cook Medical or another. The Federal Circuit should be affirmed, so that laches may continue to offer the medical device industry the protection and certainty necessary to continue investment in this vital industry.

II. THE RISK OF SUBSTANTIAL EVIDENTIARY PREJUDICE IN PATENT CASES SUPPORTS THE LACHES DEFENSE.

Extrinsic evidence is critical in patent cases, including the ability to cross-examine and corroborate extrinsic evidence in support of a defendant's invalidity and noninfringement defenses. When a patentee delays and sits on its rights, a defendant's ability to present a full and fair defense through the use of

extrinsic evidence is compromised and the defendant may suffer evidentiary prejudice.

In patent cases, to rebut a charge of patent infringement, a defendant may assert invalidity defenses pursuant to 35 U.S.C. §§ 101, 102, 103 and 112 and non-infringement defenses. 35 U.S.C. § 282(b). An invalidity defense must be proved by clear and convincing evidence. *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011). To rebut an invalidity defense based on prior art under pre-AIA[7] 35 U.S.C. §§ 102 & 103, a patentee may attempt to antedate its patent by showing through extrinsic evidence that the named inventor was the first to invent, i.e. first to conceive the invention and diligently reduce it to practice. *Brown v. Barbacid*, 436 F.3d 1376, 1378-79 (Fed. Cir. 2006). *See also* pre-AIA 35 U.S.C. § 102(g). In response, a defendant will, in turn, need to antedate its prior art through extrinsic evidence to show an earlier conception and reduction to practice.

Also, to rebut an invalidity defense based on prior art under pre-AIA and post-AIA 35 U.S.C. §§ 102 & 103, a patentee will assert that the prior art does not disclose certain elements of the claimed invention. In response, a defendant may use extrinsic evidence, including the author or inventor of the prior art and the testimony of expert witnesses, to support the prior art's disclosure.

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[7] The America Invents Act (AIA) modified 35 U.S.C. §§ 102 & 103, including the removal of 35 U.S.C. § 102(g), and applies to United States patent applications filed on or after March 16, 2013. *See* Leahy-Smith America Invents Act, Pub. L. 112–29, §§ 3(b)(1), 3(c) & 3(n)(1), 125 Stat. 285-287, 293 (2011). United States patent applications filed before March 16, 2013 are subject to pre-AIA 35 U.S.C. §§ 102 & 103. *See id.* at § 3(n)(2), 125 Stat. 293.

Extrinsic evidence may include an inventor's testimony, which must be corroborated, testimony of other fact and expert witnesses, laboratory notebooks, or other written documentation. *See Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1577 (Fed. Cir. 1996). When a patentee delays filing suit, the risks of documents being lost, memories fading, and the death of witnesses increase, and a defendant's ability to prove its invalidity defenses is jeopardized. *See Thomas v. Echostar Satellite LLC*, No. 05-494, 2006 WL 3751319, at *4 (W.D.N.C. Dec. 19, 2006) (finding the absence of testimonial and documentary evidence inhibited the defendant's ability to present a full and fair defense).

This type of evidentiary prejudice was present in the *Endotach District Court Litigation*. In finding that laches applied, the district court found that Cook Medical suffered evidentiary prejudice as a result of Endotach's 10-year delay:

> The undisputed facts further evidence that Cook has suffered evidentiary prejudice because of the delay as well. Endotach relies heavily upon the testimony of Brenda, Cuffari, Stein, and Dungan, to evidence that Dr. Lee's disclosure and patent are not prior art to the '154 patent. However, the testimony of those witnesses shows that their memories of the events in the question have faded and that valuable documentary evidence has been lost because of intervening events or because the witnesses simply cannot remember what happened to their own or Dr. Rhodes' [,the deceased sole inventor of the patents-in-suit,] files. Dkt. No. 174 at 17 (Dungan's testimony regarding a discussion of a "Chinese finger cuff"); Dkt. No. 153-1 at 48 (Cuffari testimony

> regarding drawings on napkins and any records being destroyed in a 2005 flood), 48-49 (Brenda's testimony regarding Dr. Rhodes' files and drawings), 49-50 (Stein's testimony that he did not recall anything about the drawings he turned over of the alleged inventions or about Dr. Rhodes' efforts to license the patents), 50 (Dungan testimony regarding first draft of the '154 patent application). Many of the documents referenced were readily available when Cook first brought the Accused Products to market and for several years thereafter.
>
> Even though the missing documents and faulty memories is enough standing alone to indicate evidentiary prejudice, there are other evidentiary issues. Cook's expert relies, in part, upon an article by Dr. Alexander Balko ("Dr. Balko" and the "Balko article"), and a corresponding patent, U.S. Patent No. 4,512,338 ("Balko '338 patent"), for its invalidity defense. Dkt. No. 153-1 at 51. Endotach, like Dr. Rhodes during prosecution of the '154 patent, disputes the breadth of these Balko disclosures. *Id.* However, Dr. Balko died on September 16, 2008. *Id.* Again, had Cook been sued closer in time to the introduction of the accused devices, Dr. Balko would have been available to testify. Although an inventor's testimony is not always the most reliable indicator of claim scope, his testimony would have been relevant.

(*Endotach District Court Litigation*, Dkt. No. 229, slip op. at 36-37.) *See also Odetics, Inc. v. Storage Tech.*

Corp., 919 F. Supp. 911, 922-23 (E.D. Va. 1996) (finding evidentiary prejudice, in part, where documents related to defendant's 35 U.S.C. § 102(g) invalidity defense were "lost or destroyed as a consequence of the delay"), *vacated on other grounds*, 116 F.3d 1497 (Fed. Cir. 1997).

To prove infringement, a patentee may rely upon extrinsic evidence, including written documentation, to show an accused device or product infringes its patent. 35 U.S.C. § 271. To rebut a charge of patent infringement, a defendant may also rely upon extrinsic evidence to show that its accused device does not infringe the asserted patent. 35 U.S.C. § 282(b)(1). Due to the passage of time from the patentee's delay, a defendant's ability to present a full and fair defense of noninfringement is compromised by the lack of available extrinsic evidence. In the *Endotach District Court Litigation*, this is an additional reason why the district court found that Cook Medical suffered evidentiary prejudice:

> Endotach's '417 patent infringement analysis relies, in part, on the Greenberg study. Dkt. No. 174 at 28-29. But, Dr. Greenburg died on December 7, 2013. Dkt. No. 153-1 at 51. If Endotach or its predecessors had sued on the Rhodes patents sooner, Dr. Greenberg would have been available to testify. Taking the impact of all of these pieces of evidence together, there is no material question of fact that Endotach has been prejudiced by the patent holders' delay in filing suit.

(*Endotach District Court Litigation*, Dkt. No. 229, slip op. at 37.) Endotach's delay unfairly prejudiced Cook Medical's ability to support its invalidity and noninfringement defenses as a result of the death of

witnesses, faded memories, and the loss of documentary evidence.

In contrast, the Court in *Petrella* dismissed the risk of evidentiary prejudice as a basis for upholding a laches defense in copyright cases because "[t]he registration mechanism reduces the need for extrinsic evidence", "[k]ey evidence in the litigation will be the certificate, the original work, and the allegedly infringing work", and "the adjudication will often turn on the factfinder's direct comparison of the original and the infringing works, *i.e.*, on the factfinder's 'good eyes and common sense' in comparing the two works' 'total concept and overall feel' " 134 S. Ct. at 1977 (internal citation omitted). This holding does not hold true in patent cases.

In patent cases, a defendant's use of extrinsic evidence is prevalent and necessary to defend against a charge of patent infringement. A patentee's delay in filing suit results in a substantial risk of evidentiary prejudice to a defendant including the defendant's inability to rely upon extrinsic evidence to rebut the patentee's patent infringement claims. Laches in patent cases equitably protects a defendant from suffering such evidentiary prejudice.

CONCLUSION

Amicus curiae urges this Court to affirm the Federal Circuit's *en banc* decision in *SCA Hygiene Products Aktiebolag v. First Quality Baby Products LLC*, 807 F.3d 1311 (Fed. Cir. 2015). Given the differences between patent law and copyright law, this Court's decision in *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014), does not affect the availability of the much-needed laches defense in patent cases.

Respectfully submitted,

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RECORD AND BRIEFS

No. 15-927

IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG AND SCA PERSONAL CARE, INC.,
Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF DELL, ACUSHNET, APPLIED MATERIALS, ASUSTEK, CABLELABS, CANON, COMCAST, CTIA, FAIRCHILD SEMICONDUCTOR, GLOBAL AUTOMAKERS, GOOGLE, HP, INTEL, THE INTERNET ASSOCIATION, JCPENNEY, L BRANDS, MASTERCARD, MICRON, NEWEGG, QVC, RED HAT, SAMSUNG, SAP, SAS, SYMMETRY, T-MOBILE, VARIAN MEDICAL SYSTEMS, VISA, VIZIO, XEROX, AND XILINX AS *AMICI CURIAE* IN SUPPORT OF RESPONDENTS

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INTEREST OF *AMICI CURIAE*[1]

Amici are technology companies, trade associations of Internet, wireless communications, automotive, and computer companies, financial services companies, and retailers that use and sell high-technology products. We represent more than $5.5 trillion of market capitalization and employ many of the world's most innovative computer scientists and engineers. Innovators in all fields are united in asserting that, when it enacted Section 282 of the 1952 Patent Act, Congress intended to and did preserve and codify the courts' longstanding practice of allowing laches as a defense in patent infringement cases, including against claims for money damages. In this brief, we present our views on the enormous practical importance of laches in protecting innovators from the prejudice that may arise from unreasonable delay in the assertion of patent claims.

A full list of *amici* joining this brief is set forth in the Addendum.

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[1] Pursuant to Supreme Court Rule 37.6, counsel for *amici* represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than *amici* or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Rule 37.3(a), counsel for *amici* represent that all parties have consented to the filing of this brief. Petitioners have filed a letter with the Clerk granting blanket consent to the filing of *amicus* briefs; written consent of respondents is being submitted contemporaneously with this brief.

INTRODUCTION AND SUMMARY

Laches provides a crucial defense against abuses in modern patent litigation. *Amici*, who make, use, and sell high-technology products, rely on laches to protect themselves against assertions of patent infringement that have become far more difficult, expensive, and uncertain to defend as a result of unreasonable delay. *Amici* fully support the position of respondents ("First Quality") that laches is and should remain a defense to damages claims for infringement, and agree with First Quality that this result best respects the intent of Congress in the Patent Act and shows fidelity to the longstanding precedent of this Court. This brief complements that showing by illustrating the importance of a laches defense with case examples drawn from the experience and research of *amici*; by explaining the special need for protection from unreasonable delay in the patent context (as distinct from that of copyright); and by providing empirical data about the role of non-practicing entities ("NPEs") in bringing unreasonably delayed patent cases.

I. Laches is a remedy for prejudice caused by unreasonable delay. Such prejudice can usefully be analyzed in two categories: evidentiary prejudice, where the loss of evidence over time makes it harder to defend a case; and economic prejudice, where an accused infringer has made investments or other business decisions without realizing its potential exposure to charges of infringement. Evidentiary prejudice includes situations where the passage of time makes it difficult to determine the real inventor of a patented technology, to show the time at which a technology was already on sale or in public use, to establish the state of the art in proving that an

invention was obvious when made, to unearth old licensing agreements that provide a defense to infringement charges, or to establish (when contesting damages) how the accused infringer would have gone about its business if it had known to avoid the patented technology. All of these issues are problems that affect real cases when an infringement action is brought many years – in NPE cases, typically 15 or more years – after the relevant patent issued.

Economic prejudice comes primarily from investments that an accused infringer has made in developing a new product or service, unaware that the product incorporates a patented feature. Technology choices can be difficult to change once a product goes to market and after the accused infringer has invested in infrastructure, established supply lines, built inventories, trained employees, and developed customer acceptance of the product or service. Economic prejudice may also occur when a patented technology is incorporated into a common standard with which a range of different manufacturers must comply so that their products will work together.

Sunk investments and adoption of standards produce a phenomenon that scholars call "lock-in": a barrier of high costs that an operating company must pay at the time of litigation to stop using a patented technology, even though earlier it could have paid much lower costs to select an alternative to that technology. It is not hard to find recent cases where lock-in costs amount to hundreds of millions or even billions of dollars; and *amici* discuss some of those cases in this brief. Too often, the leverage created by a patent case against a commercially successful product is based not on value added by the patented technology itself but on the patent holder's ability

to threaten independent innovation and investment incorporated in the same product. Laches protects innovators by preventing patent holders from profiting from such threats after unfairly lying in wait.

II. Evidentiary and economic prejudice from unreasonable delay have special importance in patent as compared to copyright cases. It is thus understandable that (as First Quality has shown) Congress preserved a laches defense in the Patent Act, even though (as this Court held in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014)) Congress declined to do so in the Copyright Act.

Copyright holders and patent holders are differently situated with respect to lost evidence. In a copyright case, lost evidence can make it difficult to prove how and why an accused infringer originally began using a copyrighted work, weakening the copyright holder's case. Patent holders, by contrast, are less likely to be harmed and may even benefit from lost evidence. An accused infringer must often (either when challenging the validity of a patent, or when contesting a showing of damages) produce evidence about things that happened before the patent was issued, or evidence in the hands of third parties. Worse, if challenging the validity of the patent, the accused infringer must generally support that challenge with clear and convincing evidence. As a result, unreasonable delay diminishes an accused patent infringer's ability to defend itself in a way that has no parallel in copyright.

Copyright cases also generally have very different economic incentives and implications than do patent cases. Because copyright infringement requires copying, it is seldom innocent; but patent infringement does not require copying, and where such

infringement occurs, it is often innocent. Also, the rights to a new book, song, or movie are usually worth most when it is released. Their value diminishes afterwards. A copyright holder that permits infringement during this period has much to lose. For a significant number of patent holders – mostly NPEs – the value of a patent lies in its potential to function as a tool for extracting license fees and settlements from those already locked into using the patented technology. That value goes up over time as the technology becomes more widespread, creating a built-in incentive for unreasonable delay in patent litigation that does not exist in copyright.

III. NPEs, which make no products and provide no services of their own, have a special tendency to delay bringing suit for patent infringement. Without any reason to use their patents to protect market share from infringing competition, NPEs tend to wait to sue, allowing others to build up businesses and then claiming a share of the profits (or a payment to go away). NPEs typically base their strategies on acquiring patents from others rather than prosecuting patents on their own; they acquire older patents in order to leverage evidentiary and economic prejudice. In 2015, some 12% of patents asserted by NPEs in litigation had already expired at the time of suit.

Unreasonable delay in patent assertion not only causes prejudice, but also signals that claims are lower quality and less likely to succeed. But such claims can still have substantial settlement value (especially relative to the market prices of old patents) because litigation over old claims is difficult, expensive, and uncertain. Laches provides a needed remedy to this problem that continues to plague the most innovative parts of our economy.

ARGUMENT

Laches is and should be an available defense to all claims for patent infringement, including claims for money damages. As the *en banc* Federal Circuit reasoned, and as First Quality has set forth in its brief, the text, structure, history, and contemporaneous interpretations of the Patent Act all show that in 1952 Congress meant to incorporate existing defenses to patent infringement. Laches, as applied to claims for money damages as well as for injunctions or accountings, was one of the defenses that Congress codified. Resp. Br. 16-33; Pet. App. 18a-35a. Congress's record of leaving laches untouched when amending the Patent Act – most recently in the America Invents Act of 2011 – confirms its intent to preserve that doctrine. Resp. Br. 33-36. The tools of statutory construction thus show that *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), which addressed the very different text, structure, and history of the Copyright Act, does not require this Court to reject laches as a defense in patent cases. Resp. Br. 36-40; Pet. App. 23a, 35a-38a.

Amici will not repeat those points here. This brief focuses instead on the current, compelling need for laches to protect operating companies from unreasonably delayed claims for patent infringement. It draws from *amici*'s experience as innovators frequently sued for infringement based on aging and expired patents. It uses contemporary examples and recent empirical data to demonstrate the ongoing practical importance of laches. Those examples and data show that the concerns that led courts to develop and Congress to codify a laches defense to damages for patent infringement are even more pressing in today's marketplace and litigation climate. Unreasonable

delay in asserting patent claims, whether careless or strategic, can cause serious prejudice to companies that make, use, and sell technological products. The problem of unreasonable delay in patent cases has important aspects that are special to patent law and do not appear in other areas such as copyright law. That helps explain why Congress chose to codify and preserve the defense of laches in patent litigation.

I. OPERATING COMPANIES NEED LACHES AS A REMEDY FOR UNREASONABLE DELAY IN PATENT CASES

A. Unreasonable Delay Causes Evidentiary and Economic Prejudice

Courts applying the defense of laches in patent cases have recognized two general categories of prejudice. One is *evidentiary* prejudice: the documentary, testimonial, and physical evidence needed to defend against charges of infringement may be lost or become stale during a period of unreasonable delay. *See, e.g., Wanlass v. General Elec. Co.*, 148 F.3d 1334, 1340 (Fed. Cir. 1998) (describing "deceased and unavailable witnesses, . the fading memories of available witnesses," and the destruction of older models of the accused product); *see generally Order of R.R. Telegraphers v. Railway Express Agency*, 321 U.S. 342, 348-49 (1944) (explaining that one purpose of both limitations periods and laches is to "promote justice by preventing surprises through the revival of claims that have been allowed to slumber until evidence has been lost, memories have faded, and witnesses have disappeared").

The prejudicial loss of evidence is particularly likely where (as is frequently the case) an alleged infringer is wholly unaware that it may be charged with infringement of a particular patent, and so has

no reason to preserve documents necessary for a defense. When suit is brought years later, it may be impossible to find business records, licensing agreements, and key witnesses who could otherwise have supported a defense on either liability or damages. Loss of evidence is even more likely for types of evidence, like prior art and witness testimony about a patented technology's development, that necessarily come from the time before the patent holder or its predecessor applied for a particular patent. Such delays may occur even within the already lengthy six-year period of 35 U.S.C. § 286, but especially after the much longer delays discussed in the illustrative cases below.

The other general category is *economic* prejudice: during a period of unreasonable delay, an accused infringer may invest in building up business based on a technology later alleged to be infringing. *See, e.g., Rome Grader & Mach. Corp. v. J.D. Adams Mfg. Co.*, 135 F.2d 617, 619 (7th Cir. 1943) (affirming dismissal of suit based on laches where infringer had "made extensive improvements and built up a prosperous business" while patentee delayed in bringing suit; infringer and investors should not be penalized where infringer "could have centered manufacture" on non-infringing products and thereby averted expending "great sums" had patentee's actions been timely). The laches defense recognizes the unfairness of allowing a patent holder to wait in the weeds while an innovator commits resources, becomes locked into a particular product design, and achieves success that makes it an attractive litigation target. *See Dwight & Lloyd Sintering Co. v. Greenawalt*, 27 F.2d 823, 827 (2d Cir. 1928) (L. Hand, J.) (discussing the inequity of awarding relief after "the patentee has let

the infringer slowly build up a large business without protest"). As with evidentiary prejudice, economic prejudice is most likely to be acute where the accused infringer has no notice that it may be infringing; but it can also occur where (as here) a patent holder makes an initial charge of infringement and then fails to follow up for years. *See* Pet. App. 6a (First Quality "likely would have 'restructured its activities to minimize infringement liability if SCA had brought suit earlier'").

The laches defense is particularly important in situations where an accused infringer could have made an inexpensive decision to use an alternative to a patented technology at an earlier time, but having become locked in must take expensive measures to switch technologies. *See, e.g.*, William F. Lee & A. Douglas Melamed, *Breaking the Vicious Cycle of Patent Damages*, 101 Cornell L. Rev. 385, 409-10 (2016) ("*Vicious Cycle*") (explaining that "direct and indirect investments in the infringing technology," such as "incorporat[ing] the technology into its products, configur[ing] factories to produce it, train[ing] employees and customers in its use, and so on," can "often make it very difficult for the infringer to switch to a different technology *ex post*").[2] In "sectors

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[2] *See also* Justin R. Orr, *Patent Aggregation: Models, Harms, and the Limited Role of Antitrust*, 28 Berkeley Tech. L.J. 525, 551-52 (2013) ("[T]rolls often wait to assert patents until practicing entities are 'locked in' to a technology. This strategy exploits the patent system's notice failure and high information costs, allowing the troll to extract higher payments than if the party asserted against was able to identify and either bargain ex ante or design around the patented process before investing in means of production."); Robert P. Merges, *The Trouble with Trolls: Innovation, Rent-Seeking, and Patent Law Reform*, 24 Berkeley Tech. L.J. 1583, 1590 (2009) ("*Trouble with Trolls*") (explaining lock-in as the result of the difference between "the

such as [information technology], which involve multi-component products," lock-in is most often due not to the value of the infringing technology itself but instead to the many independent, complementary innovations that are put at risk by a patent case. *See id.* (giving examples of "interoperating components" and features).

When assessing the reasonableness of delay and problems of evidentiary and economic prejudice, district courts properly look to the six-year period created by 35 U.S.C. § 286 as a guideline: after six years of delay, there is a presumption that the delay was unreasonable and that it caused prejudice. *See* Pet. App. 9a (citing *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992)). That presumption gives effect both to Congress's intent to preserve a laches defense and to its judgment that the six-year period reflects a reasonable time to bring suit, and is consistent with the approach generally taken by courts of equity where limitations defenses and laches overlap or coexist.[3]

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ex ante time frame [that] corresponds to the period before a company makes sunk cost investments in any given technology" and "[t]he ex post time frame [that] is the time after these investments have been made").

[3] *See Holmberg v. Armbrecht*, 327 U.S. 392, 396 (1946) (observing that statutes of limitation "have been drawn upon by equity for the light they may shed in determining whether the plaintiff has inexcusably slept on his rights"); *Levey v. Brownstone Asset Mgmt., LP*, 76 A.3d 764, 769 (Del. 2013) ("In determining whether an action is barred by laches, the Court of Chancery will normally, but not invariably, apply the period of limitations by analogy as a measure of the period of time in which it is reasonable to file suit.").

B. Real-Life Examples from Recent Cases Show the Effects of Evidentiary and Economic Prejudice

1. *Princeton Digital*

An example of how evidentiary and economic prejudice work together to put a patent defendant at a massive disadvantage is *Princeton Digital Image Corp. v. Dell Inc.*, No. 1:13-cv-00238-LPS (D. Del. filed Feb. 15, 2013), in which *amicus* Dell faced a lawsuit that had been delayed for more than 15 years.[4] The patent in that case covered a method for encoding JPEG images for display on a website, and it was owned by General Electric ("GE") from the time it issued in 1989 until it expired in 2007. *Princeton Digital* Br. 1. Two years after the patent expired, it was bought by a non-practicing entity ("NPE") named Princeton Digital Image Corp., which proceeded to file 59 patent infringement cases. *Id.* at 1, 6. Princeton Digital waited four more years after purchasing the expired patent before finally suing Dell for infringement in 2013. *Id.* at 1.

While GE owned the patent, Dell built a successful business in online sales of computers. In 1997. Dell was the first company ever to have $1 million in online sales in a single day. *Id.* at 6. In 2000, Dell sold more than $40 million online every day. *Id.* Its sales continued to grow rapidly between 2000 and 2007. For nearly two decades – the life of the patent – Dell displayed JPEG pictures of its products on its

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[4] The relevant facts of *Princeton Digital* are set forth in Dell's Brief in Support of its Motion for Summary Judgment on Laches, Dkt. No. 81 (redacted version filed Mar. 26, 2015) ("*Princeton Digital* Br."). The case was later resolved by stipulated dismissal. Accordingly, the district court did not decide the laches issue.

website. During those years, GE licensed the patent extensively to many companies, but never suggested that Dell was infringing the patent. Indeed, Dell was unaware of the patent throughout that entire time, so far as anyone was able to determine in the later litigation. *Id.* at 1-2.

The long delay between the beginning of Dell's open use of JPEG images on its website (in 1997) and Princeton Digital's lawsuit (in 2013) created serious evidentiary problems for Dell's defense. For example, Dell had reason to believe that one or more of the vendors with whom it contracted in building its online business in the late 1990s may have had a license from GE, which would have provided Dell with a defense against infringement, *id.* at 17-18; but the delay made it difficult even to determine who those vendors had been, and still more difficult to track them down and investigate their licensing arrangements as of more than 15 years earlier. Similarly, challenging the validity of the patent for novelty or obviousness would have required Dell to delve into the history of online image display during the 1980s; much of the content available on the Internet or its predecessors during those years no longer exists.

The economic prejudice to Dell caused by the unreasonable delay of the patent's successive holders was also dramatic. Had GE approached Dell in 1997 – or even in 2000 or 2003 – and contended that Dell was infringing GE's patent, Dell's options would have included selecting a different technology for encoding and displaying images on its website and obtaining a license (either directly from GE or through a GE-licensed vendor). Had Dell chosen to obtain a license, the price that GE or its vendor would charge and Dell would pay would have reflected the fact that

Dell was not yet locked into GE's technology and could have chosen a competing option. The scenario with which Dell was confronted in *Princeton Digital* – an NPE's claim that Dell had no right to use a technology that was by then generating billions of dollars of revenue, *id.* at 11 – would never have arisen.

2. *LendingTree*

An example involving online mortgage and lending companies, *LendingTree, LLC v. Zillow, Inc.*, 2014 WL 1309305 (W.D.N.C. Mar. 31, 2014), similarly illustrates how both evidentiary and economic prejudice operate against patent defendants. LendingTree held a patent (later invalidated) on a method for coordinating borrowers and lenders through electronic credit applications over the Internet. The accused infringer, NexTag, Inc., was both LendingTree's competitor and its business partner. LendingTree had "top-to-bottom corporate knowledge" of NexTag's allegedly infringing online system as early as 2003. *Id.* at *1-5. LendingTree delayed bringing suit until 2010 and never informed NexTag that it believed NexTag was infringing the patent. *Id.* at *1, *11, *21.

During the period from 2003 to 2010, a number of things happened that made it harder for NexTag to defend itself. One of the individuals named as a co-inventor on the patent died, *id.* at *21; most of the employees who had been involved with NexTag's allegedly infringing system left, *id.* at *22; LendingTree's CEO during the relevant period became unavailable as a witness due to failing health, *id.* at *23; and many competing companies that might have provided non-infringing alternatives went out of business, making it harder for NexTag to show that it could have done business without the allegedly

infringing system, *id.* Important witnesses testified at deposition or trial that they could not recall important facts and details because too much time had passed. *Id.* at *21-22. Those factors hindered NexTag's ability to assert defenses under the on-sale bar and related public-use provision of 35 U.S.C. § 102(a)(1). *Id.* at *21.

NexTag also made substantial investments in its accused product during the period from 2003 to 2010, spending "over a hundred million [dollars] to . . attract 'traffic' to the accused website." *Id.* at *5. It also entered into business transactions with LendingTree that it would likely have avoided if it had known LendingTree would sue. *Id.* at *25. Perhaps most important of all, NexTag did not during the period of unreasonable delay make efforts to design around the patent by developing a non-infringing system, which the evidence showed would have been possible to do by eliminating certain steps of the patented method. *See id.* at *25-26 (noting as well that, "had NexTag faced an infringement suit earlier, it could have exited the mortgage lead generation market earlier or redirected its investments to other products").

3. *I/P Engine*

An example involving online search and advertising software is *I/P Engine, Inc. v. AOL Inc.*, 915 F. Supp. 2d 736 (E.D. Va. 2012). The patents in that case issued in 2001 and 2004. They involved a system for filtering and presenting search and advertising results.[5] They were originally held by Lycos, an early

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[5] *See I/P Engine, Inc. v. AOL Inc.*, 874 F. Supp. 2d 510, 514-15 (E.D. Va. 2012) (describing and construing the patents), *rev'd*, 576 F. App'x 982 (Fed. Cir. 2014) (per curiam) (holding them invalid as obvious), *cert. denied*, 136 S. Ct. 54 (2015).

online-search competitor. As early as 2003, Lycos was a customer of current *amicus* Google for the very services later accused to be infringing. *Id.* at 747. During their long business relationship, Lycos never suggested to Google that its activities infringed the patent. *Id.* at 747-48. Later, after Lycos went through a series of corporate ownership transfers, I/P Engine bought the patents and in 2011 asserted infringement claims against Google, AOL, and other major Internet companies.

The district court applied laches based on evidentiary prejudice because critical documents had been lost and witnesses had become unavailable. *Id.* at 747. It observed that "the only thing that changed" from the years when Lycos and Google carried on a business relationship and Lycos never mentioned infringement "was that the patents-in-suit were purchased by I/P Engine, a non-practicing entity, for the sole purpose of bringing this litigation," and concluded that "the dilatory nature of this suit is precisely why the doctrine of laches has been applied to patent law." *Id.* at 747-48.

4. *Medinol*

An example from the medical device industry is *Medinol Ltd. v. Cordis Corp.*, 15 F. Supp. 3d 389 (S.D.N.Y. 2014), *summary affirmance granted*, No. 15-1027 (Fed. Cir. Dec. 22, 2015), *cert. petition filed*, No. 15-998 (U.S. Feb. 2, 2016), which involved a group of patents on technologies related to articulated stents, used to treat coronary disease. Medinol held patents related to two different types of stents (articulated and flexible stents). In 2000, Medinol sued Cordis on the flexible-stent patents, but did not

assert the articulated-stent patents. *Id.* at 394-96.[6] Cordis began work on an alternative product that did not infringe the flexible-stent patents, *id.* at 394, but did not ultimately need it: in 2004, it prevailed by invalidating the flexible-stent patents. *Id.* at 395. In 2007, the parties settled other claims between them and entered into a distribution agreement. *Id.* at 396-98. In 2013, however, after their relationship soured, Medinol filed a suit asserting that Cordis's stents infringed the articulated-stent patents. By then, Cordis had left the coronary stent market entirely. *Id.* at 398-400.

After a bench trial, the district court ruled that laches barred Medinol's claims in their entirety. *Id.* at 392, 409. The court's analysis focused on economic prejudice: if Medinol had not delayed asserting its alleged rights under the articulated-stent patents for nearly a decade after learning the relevant facts in the flexible-stent litigation, Cordis could have done any of a number of things differently. *See id.* at 409 (finding that, through its unreasonable delay, Medinol "deprived [Cordis] of the opportunity to modify its business strategies"). Specific things that Cordis could have done included declining to enter into a business relationship with Medinol; developing a non-infringing alternative, as it had earlier done with respect to Medinol's other patents; "exit[ing] the stent market earlier"; and "redirect[ing] its investments to other products." *Id.* at 408. Even without any specific finding of evidentiary prejudice (though it is hard to imagine there was not some loss of

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[6] One articulated-stent patent issued in 1999, before Medinol's original action against Cordis was filed; others issued in 2000 and 2003, while the suit was pending, and one later in 2005. *See Medinol*, 15 F Supp. 3d at 392.

evidence between 2004 and 2013), the court found that was enough to justify invoking laches.

5. *High Point*

An example involving wireless infrastructure is *High Point Sarl v. Sprint Nextel Corp.*, 67 F. Supp. 3d 1294 (D. Kan. 2014), *aff'd in part on other grounds*, 817 F.3d 1325 (Fed. Cir. 2016). Sprint had worked for two decades to build its digital nationwide wireless network. In the 1990s and 2000s, Sprint invested billions of dollars in building that network, using and buying equipment from a range of vendors, including Lucent Technologies Inc. *Id.* at 1299. The four patents-in-suit were issued to Lucent in 1993 and 1994, and Lucent continued to hold them until 2000. At that time, it transferred the patents to a new company as part of a corporate spin-off. *Id.* In 2008, after many years during which "[n]one [of the patentees] mentioned infringement," High Point, a "non-practicing patent-assertion entity," bought the 14- and 15-year-old patents for $2 million, and sued Sprint for infringing by using the equipment Sprint had been purchasing from Lucent and other vendors since 1996. *Id.* at 1299, 1306, 1318.[7]

The district court found that Sprint had established a laches defense based on both evidentiary and economic prejudice.[8] As for evidentiary prejudice,

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[7] Sprint had obtained a license from Lucent for the equipment that it had purchased from Lucent, but High Point argued (among other things) that the license did not protect Sprint when Sprint combined equipment from Lucent with equipment from other vendors. *See High Point*, 67 F. Supp. 3d at 1300-02.

[8] The court also found that High Point's predecessors in interest had engaged in "[m]isleading [c]onduct" sufficient to give rise to a finding of estoppel, 67 F. Supp. 3d at 1307-08, which provided an independent basis for its ruling for Sprint. Some of the prejudice findings quoted and cited in text were

the court found that Sprint's ability to "establish[] key facts" about the original invention of the patented technologies had been destroyed by the passage of time. *Id.* at 1316. It explained that Sprint "could not overcome its burden" on certain issues related to the inventorship of High Point's patents because "so much time ha[d] passed, documents and correspondence ha[d] been destroyed or otherwise disappeared, memories ha[d] faded, and many folks [we]re simply no longer able to answer important questions about the conception and reduction to practice [of] the patent." *Id.*; *see also id.* at 1318.

As for economic prejudice, the court found that, when High Point asserted infringement, the cost to Sprint of changing to a new technology would have been prohibitively high: Sprint was locked in. That occurred for two reasons: *first*, the large volume of Sprint's investments in the allegedly infringing technology, *see id.* at 1315 ("Sprint poured billions of dollars into purchasing, installing, and later upgrading its equipment in pursuit of its [wireless] infrastructure plan"); *second*, the tie between those investments and a plan to achieve "interchangeab[ility] [and] 'interoperab[ility]'" across Sprint's network and with other networks by adhering to "interoperability standards," *id.* at 1299, 1308-10. Had Sprint known earlier of the need to protect itself from infringement litigation, it could have replaced the infringing infrastructure at a relatively low cost, used a different technology, purchased equipment exclusively from licensed suppliers, or negotiated additional licensing agreements. *Id.* at 1314-18.

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made in the court's estoppel analysis and incorporated into its laches analysis as well. *Id.* at 1315-18.

Courts should be able to invoke the doctrine of laches to provide relief for unreasonable delay in cases like those described above. As First Quality has shown, that doctrine has long been the law and was codified in the 1952 Patent Act. As the court of appeals further recognized, where the delay has been especially unreasonable (or even, as in *Medinol*, deliberate) or has caused special prejudice, the equitable discretion of a district court should extend to denying all relief – not only damages before the date of filing, but also any injunction and any royalty. *See* Pet. App. 39a-41a (recognizing the "possibility that laches [can] foreclose injunctive relief); *id.* at 42a (explaining that ordinarily a patent holder "remains entitled to an ongoing royalty" despite laches but that this rule may not apply in "egregious circumstances"). As this Court put it in *Menendez v. Holt*, although in most cases "[m]ere delay or acquiescence cannot defeat the remedy by injunction in support of [a] legal right," there are some cases in which delay "has been continued so long, and under such circumstances, as to defeat the right itself." 128 U.S. 514, 523 (1888). District courts should retain the power to do equity in those extraordinary cases as well as in ordinary ones.

II. UNREASONABLE DELAY CAUSES GREATER PREJUDICE IN PATENT CASES THAN IT DOES IN COPYRIGHT CASES

Petitioners ("SCA") and their *amici* rely heavily on this Court's decision in *Petrella*, 134 S. Ct. 1962, contending that the Patent Act is just like the Copyright Act. First Quality has shown why those contentions are incorrect as a matter of text, structure, and history. Consistent with the focus of this brief on policy and practical issues, *amici* will explain why

unreasonable delay in patent cases and in copyright cases has different consequences and should be treated differently. Drawing such a distinction is consistent with *Petrella* itself, which noted that the Court had not had "occasion to review" the question presented here, *id.* at 1974 n.15; and is also consistent with the position of the United States, which supported the result in *Petrella* but acknowledged "potential differences presented by the Patent Act,"[9] and which has not supported SCA here or in the court of appeals below.

The differences between patent and copyright are important here because, in patent cases, unreasonable delay disproportionately harms accused patent infringers and helps patent holders. This Court's reasoning in *Petrella* that "[a]ny hindrance caused by the unavailability of evidence is at least as likely to affect plaintiffs as it is to disadvantage defendants," *id.* at 1977, cannot be applied to patent cases because patent defendants have a greater need for older evidence, such as prior art. Similarly, *Petrella*'s observation that there is "nothing untoward about waiting to see" the effect of "an infringer's exploitation . . . [on] the copyrighted work," *id.* at 1976, makes sense as applied to copyright litigation, but far less so as applied to patent litigation, which is frequently driven by lock-in. Four important differences are set forth below.

First, accused infringers in patent cases frequently assert defenses that become more difficult to prove with the passage of time. The on-sale bar at issue in *Lending Tree*, 2014 WL 1309305, at *21, is one example, as are the inventorship defenses at issue in

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[9] Br. for the U.S. as *Amicus Curiae* Supporting Petitioner at 25 n.5, *Petrella*, No. 12-1315 (U.S. filed Nov. 22, 2013).

High Point, 67 F. Supp. 3d at 1316. More generally, defenses of invalidity for lack of novelty and obviousness are mainstays of modern patent litigation, and both require evidence at least as old as the patent itself – which, as the cases discussed above show, can be two decades old when suit is brought. In some cases, the accused product itself predates the asserted patent, rendering the patent invalid – but only if the relevant evidence is still available. The burden is on the accused infringer to prove invalidity, and the Patent Act generally requires it to do so by clear and convincing evidence, *see Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011),[10] putting the patent holder in an excellent position to fend off challenges to its patent by pointing to gaps or uncertainty in the evidence.[11] Where evidence is in the hands of third parties (such as a third-party inventor) with no incentive at all to preserve it, the problem of evidentiary prejudice becomes even worse. Accused copyright infringers do not face similar problems.

Second, an accused patent infringer will also face increased difficulty in contesting damages over time, especially where it has become locked in to the

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[10] A preponderance-of-the-evidence standard applies in the administrative *inter partes* review proceeding created by Congress in the America Invents Act, 35 U.S.C. § 316(e), but such proceedings apply only to a limited set of potential invalidity claims, *id.* § 311(b).

[11] Some prior art can be identified by looking at published documents such as previous patents, but there are many other types of prior art. *See* 35 U.S.C. § 102(a) (including art that is "in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention"). Even for patents and other published documents, testimony by fact witnesses who developed or were familiar with invalidating art is frequently key at trial.

patented technology, even though damages are limited to the six-year period before filing the complaint under 35 U.S.C. § 286. Patent royalty damages are determined by considering a hypothetical negotiation between a willing licensor and willing licensee. The negotiation is (or should be) assumed to occur before the accused infringer first began using the patent; or, in some cases, before the patent was first incorporated into an industry standard.[12] If such a negotiation would have taken place long before the litigation, it becomes difficult for the accused infringer to show its alternatives to using the patented technology, before the costs of switching to an alternative increased.[13] After the accused infringer has become locked in, the patent holder often (improperly) argues for a high royalty by pointing to the high amount it would cost the accused infringer to switch to a new technology at the time of litigation, or to exit the relevant market. Thus, just as with liability, the accused infringer has a greater need to develop facts about things that happened long ago, such as the cost to adopt an alternative technology at the time of first

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[12] *See, e.g., Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1233 (Fed. Cir. 2014) ("Because [standard-essential patent] holders should only be compensated for the added benefit of their inventions, the jury must be told to differentiate the added benefit from any value the innovation gains because it has become standard essential.").

[13] *See Vicious Cycle*, 101 Cornell L. Rev. at 411-12 (arguing that courts assessing patent damages should, but do not always, exclude "factors like lock-in costs" when determining a reasonable royalty, and that failing to exclude lock-in costs overcompensates patent holders); *see also supra* note 2 (additional sources discussing lock-in costs).

alleged infringement. Copyright law has a different statutory scheme for damages.[14]

Third, a copyright holder has the burden of proving copying, *see Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991); a patent holder, by contrast, can establish infringement by proving merely that the infringer was making, using, or selling the patented technology during the damages period. Independent invention is irrelevant to patent infringement. *See, e.g., Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 489-90 (1974) (contrasting trade secret law, which permits "independent creation [and] reverse engineering," to patent law, which does not). There are therefore few cases in which a copyright infringer was unaware of the copyright holder's rights and the possibility that it might face a future lawsuit based on those rights. Such scenarios are, however, common in patent cases.

Accused infringers without previous knowledge of a patent are especially common in patent cases involving new high-technology products. In the experience of *amici*, such cases frequently involve independent invention of allegedly patented features, rather than deliberate copying, because of the sheer number of technological patents currently in force and of the extraordinary intellectual fertility (and massive research investments) common to *amici*'s industries. Independent invention is not itself a defense to claims for patent infringement, but is a situation

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[14] *Compare* 17 U.S.C. § 504 (basic (non-enhanced) recovery for copyright infringement of actual damages plus profits of the infringer, or statutory damages as an alternative) *with* 35 U.S.C. § 284 (basic recovery for patent infringement of actual damages, but no less than a reasonable royalty; no provision for statutory damages or disgorgement of profits).

where the equities weigh relatively less in favor of the patent owner and more in favor of the innocent alleged infringer. Congress has recognized those equities explicitly in several provisions of the Patent Act, which provide for equitable limitations on a patent holder's right to recover where a patent is reissued or amended in a way that may affect the rights of those already practicing the patented technology.[15]

Fourth, the economic motivations for and effects of unreasonable delay are likewise different in copyright cases. The damages caused by copyright infringement are usually greatest towards the beginning of the infringement period – for example, most new movies, music, and books earn most of their revenues "in the first few years after publication, with a sharp decrease in receipts over time,"[16] so it is a real loss for their copyright holders to wait to sue and forgo royalties (or an injunction) during the initial period of infringement. For many patents, their litigation value is greatest near (or even after) their expiration dates, when the technologies to which they purportedly grant exclusive rights are firmly embedded in the business practices of operating companies, or in products and services that have achieved significant market share. As explained in Part III, it is not uncommon for NPEs to purchase

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[15] *See* 35 U.S.C. § 252 (allowing a court to impose "such terms as the court deems equitable for the protection of investments made or business commenced before the grant of [a] reissue[d]" patent); *id.* § 318 (similar provision for claims amended during *inter partes* review).

[16] Wendy J. Gordon, *Authors, Publishers, and Public Goods: Trading Gold for Dross*, 36 Loy. L.A. L. Rev. 159, 180 (2002).

patents that are near expiration and then use them to attack settled practices and developed markets.

An especially problematic type of lock-in occurs where companies must practice the patented technology to adhere to a widely adopted industry standard.[17] The *High Point* case illustrates that problem. The patents in that case, which issued in 1993 and 1994, applied to a wireless technology standard called code division multiple access ("CDMA"). 67 F. Supp. 3d at 1299. If during the 1990s, while building its network, Sprint had been alerted by High Point's predecessors to the possibility of infringement liability based on its use of CDMA technology, it could have used an existing alternative technology standard or negotiated a reasonably priced license in light of the alternatives it then had available. *Id.* at 1314. By 2008, when High Point accused Sprint of infringement, Sprint had made a multi-billion-dollar

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[17] The problem of lock-in triggered by industry standards is now well recognized. Many standard-setting organizations have adopted policies requiring participants who have patents that cover industry standards to license on a reasonable, non-discriminatory basis, often interpreted to mean at rates that could be obtained in open negotiations, not after lock-in. *See generally* Joseph S. Miller, *Standard Setting, Patents, and Access Lock-In: RAND Licensing and the Theory of the Firm*, 40 Ind. L. Rev. 351, 356-57 & n.20 (2007) (citing, *inter alia*, Carl Shapiro & Hal R. Varian, *Information Rules: A Strategic Guide to the Network Economy* 228, 241 (1999)). These requirements represent imperfect attempts to prevent patent holders from demanding supracompetitive royalties based on the hold-up value of the patent rather than on the value of the technology. Mark A. Lemley & Carl Shapiro, *A Simple Approach to Setting Reasonable Royalties for Standard-Essential Patents*, 28 Berkeley Tech. L.J. 1135, 1137-40 (2013) (describing antitrust litigation that has been brought in efforts to enforce no-hold-up and reasonableness requirements).

commitment to CDMA and could no longer switch at reasonable cost. *Id.* at 1315.

Similar considerations have less weight in the copyright context – not only because the copyright limitations period is three years shorter than the six-year period created by 35 U.S.C. § 286, but for other reasons as well. It is unlikely that a single work will plausibly infringe more than a handful of copyrights; it is more likely that a potential copyright infringer will know its risks in advance; and, as explained above, there is no liability for independently creating a work that resembles a copyrighted work, *see Eden Toys, Inc. v. Marshall Field & Co.*, 675 F.2d 498, 501 (2d Cir. 1982). Thus, although in *Petrella* the Court found that the plaintiff's suit "put at risk only a fraction of the income MGM has earned" and would "work no unjust hardship on innocent third parties," 134 S. Ct. at 1978, a stale patent claim is much more likely to inflict hardship on innocent third parties (including consumers of accused products and services) as well as on innocent defendants that no longer have the meaningful ability to choose between alternative technologies and stand to lose investment in research, development, and further innovation.

III. REMEDIES FOR DELAY ARE NEEDED IN PATENT LITIGATION BROUGHT BY NON-PRACTICING ENTITIES

Unreasonable delay is a special problem in patent litigation brought by a certain type of patent holder: the NPE. An NPE is usually defined as an organization that buys and asserts patents but does not make or use patented technologies.[18] *See generally eBay*

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[18] *See* White House, Council of Economic Advisors Issue Brief, *The Patent Litigation Landscape: Recent Research and*

Inc. v. MercExchange, L.L.C., 547 U.S. 388, 396 (2006) (Kennedy, J., concurring) (describing the development of an "industry . . . in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees").[19]

NPEs that assert patents as their business have different incentives in patent litigation than do operating companies. When an operating company that is itself making, using, or selling a patented technology uses a patent to protect its exclusive rights to that technology, it usually has incentives to act promptly: infringing competition is eating away at its market share and profits, and it wants competitors to stop using its patented technology right away. An operating company also often has "incentives to recoup . . . substantial [research and development] costs,"[20] which gives it another incentive to bring any infringement actions relatively quickly.

An NPE, by contrast, may prefer to scan the market and wait for potential litigation targets to

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Developments 3 (Mar. 2016) ("*Patent Litigation Landscape*"), *available at* https://www.whitehouse.gov/sites/default/files/page/files/201603_patent_litigation_issue_brief_cea.pdf.

[19] *See also* RPX Corp., *2015 Report: NPE Litigation, Patent Marketplace, and NPE Cost* 13 (83% of NPE patent enforcement campaigns filed in 2015 were filed by patent assertion entities ("PAEs"), whose campaigns were responsible for 96% of all defendants added to NPE campaigns), *available at* https://www.rpxcorp.com/wp-content/uploads/sites/2/2016/07/RPX-2015-Report-072616.FinalZ.pdf; *see also id.* at 82 (distinguishing PAEs, which "earn revenue predominantly through asserting patents," from other NPEs such as universities and inventors).

[20] *Patent Litigation Landscape* 4 (citing Brian J. Love, *An Empirical Study of Patent Litigation Timing: Could a Patent Term Reduction Decimate Trolls Without Harming Innovators?*, 161 U. Pa. L. Rev. 1309 (2013) ("*Patent Litigation Timing*")).

become more successful and more firmly locked in to the patented technology before it brings an infringement action. Doing so serves its primary interest in extracting settlements and damage awards. Strategic delay also allows NPEs to choose targets more carefully, such as by selecting firms "with large cash holdings"[21] or with "small legal teams."[22] Further, NPEs often acquire patents on the secondary markets, and acquired patents may already be at or near the end of their lifespan,[23] as was the patent in *Princeton Digital*. Expired or near-expired patents are less useful to operating companies because they cannot protect the company's market position. But they are quite useful to NPEs that seek to use them to impose a tax on innovative products that were created without knowledge of the patent.

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[21] Lauren Cohen, *et al.*, *The Growing Problem of Patent Trolling*, 352 Science 521, 521 (Apr. 2015) ("*Growing Problem*"); *see id.* ("Both within the patent space and across litigation more broadly, NPE patent litigation is unique in the extent to which it is driven by cash."); *see also Patent Litigation Landscape* 4 (discussing the above finding and another study finding that the "likelihood of being accused of patent infringement increase[s] substantially after [a] firm complete[s] its initial public offering").

[22] *Growing Problem*, 352 Science at 521.

[23] *See Patent Litigation Timing*, 161 U. Pa. L. Rev. at 1332 ("As a whole, NPE-asserted patents are three times more likely to have changed hands between issue and enforcement than product company-asserted patents Patents do not reach acquisition firms until about 9.5 years after issue, and those firms wait 2.4 additional years on average before filing suit."); *see generally Trouble with Trolls*, 24 Berkeley Tech. L.J. at 1591 ("Typically, the troll waits until a technology is fully entrenched before scouting around for patents to acquire or asserting the patents it holds.").

The asymmetric litigation advantages created by unreasonable delay, as discussed in Part II, are also particularly helpful to NPEs. Because NPEs are interested in patents exclusively for their litigation value, they care greatly about factors that improve a patent holder's odds in court. NPEs are also disproportionately likely to bring suits on low-quality patents: studies estimate that 59% of NPE-asserted patents have at least one invalid claim, compared to 42% of all patents asserted in litigation.[24] Factors that make it harder for an accused infringer to invalidate a patent, such as the loss of evidence necessary to disprove novelty or prove obviousness, *see supra* pp. 20-21, are thus particularly valuable to NPEs.

Empirical research has confirmed that NPEs generally assert patents significantly older than those enforced by operating companies. A 2013 study found a "dramatic" difference between the age of patents asserted by the two types of litigants: "on average, product-producing companies finish enforcing their patents before NPEs even begin."[25] A more recent review, set forth below, reached similar results:

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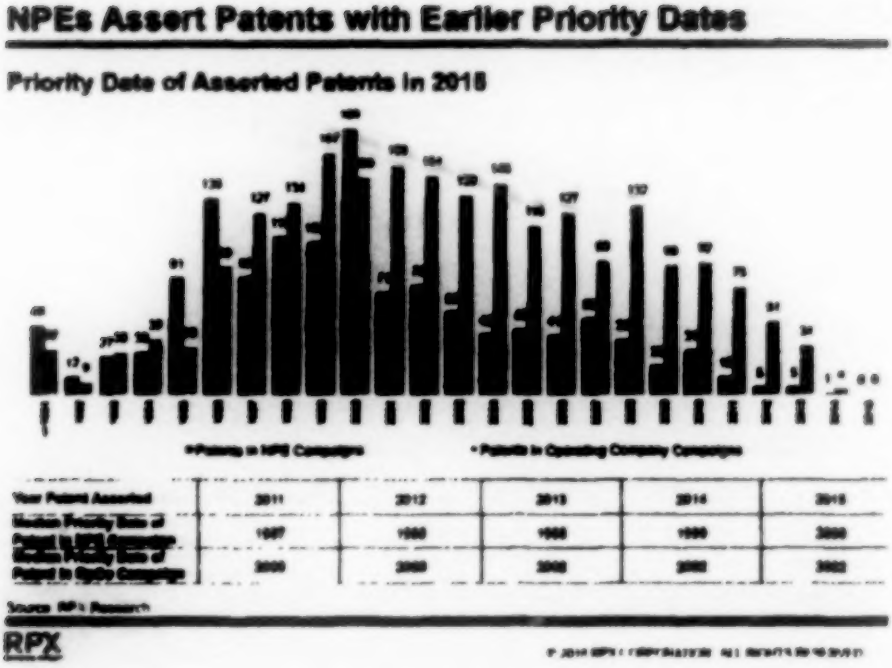
[24] *See Growing Problem*, 352 Science at 521-22 & nn.9-10; *see also* Michael Risch, *A Generation of Patent Litigation*, 52 San Diego L. Rev. 67, 107 (2015) (finding that, "as a percentage of those patents actually adjudicated, NPE patents performed much more poorly than nonNPE patents" and had "some or all of their claims invalidated slightly more than 50% of the time, compared to 25% for nonNPE"; but cautioning that the validity of many patents in the sample was never finally tested).

[25] *Patent Litigation Timing*, 161 U. Pa. L. Rev. at 1331-32; *see id.* ("On average, product-producing companies overwhelmingly begin litigating their patents early in the patent term, more than twelve years before expiration, and overwhelmingly finish with many years of patent life remaining, more than nine



As shown, for lawsuits filed by NPEs in 2015, most (about 60%) of the asserted patents were at least 15 years old. The opposite was true for patents asserted in operating company lawsuits: most (about 60%) were less than 15 years old. The chart also shows that the scenario in *Princeton Digital* where an NPE bought a patent and sued on it after its expiration date is not unusual. In 2015, 12% of the patents asserted by NPEs expired that year, or already had expired. For operating companies, that share was 5%.

One recurring pattern – illustrated by *Princeton Digital*, *I/P Engine*, and *High Point* – involves an operating company that for business or other reasons

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years from expiration. NPEs, on the other hand, begin litigating their patents much later in the term, less than nine years from expiration on average, and overwhelmingly finish in the final few years of the patent term, with an average of 4.4 years (and a median of under three years) remaining.") (footnotes omitted).

chooses not to assert a patent during most of that patent's lifetime, but later sells the nearly expired patent to an NPE. Such transfers can occur because an operating company goes out of business, exits the market to which the transferred patents were relevant, or converts part of its intellectual property portfolio to cash. As the *I/P Engine* court noted when faced with this situation, such a sequence of events itself suggests that the patent holder's claims are weak on the merits. 915 F. Supp. 2d at 748. But without a laches defense, contesting a ten-year-old patent case on the merits becomes even more expensive and uncertain than it otherwise would be, making it easier for NPEs to extract payments that exceed the real value of their claims.

The clear distinction between the litigation practices of operating companies and NPEs also rebuts SCA's argument that retaining the laches doctrine will force companies to "fil[e] suit immediately," Pet. Br. 47, and therefore lead to an increase in litigation. Operating companies already tend to file early because they have businesses to protect and therefore place a higher value on early injunctive relief. NPEs, even when fully aware that laches may be a potential obstacle, tend to file late because their business models favor doing so and because they acquire patents late in those patents' lifecycle. A change in the law to remove laches as a defense to damages claims, as SCA suggests, would only increase NPEs' incentives for delay and remove an effective, long-used tool for dealing with abusive litigation practices.

Further evidence that laches in modern patent litigation is primarily focused on NPEs rather than on operating companies can be found by looking at the views of the various industries affected by this

case. As the Court is aware, in patent cases it is common for operating companies whose business models involve asserting their own patents (most often, pharmaceutical and biotech companies) to weigh in supporting expanded patent rights and narrowed defenses. Except for Medinol, which has a pending petition for certiorari on a related issue, *see supra* pp. 15-17, SCA has not received the support it could ordinarily expect from operating-company patent holders. Instead, in the court of appeals, First Quality was supported by a broad range of industries, including many of the present *amici* and others including leaders in the pharmaceutical and financial services industries.[26] We understand that many if not all of those *amici* will be filing again in this Court.

The overwhelming support for laches among businesses that make, use, and sell patented products and services – including those that use patents to defend their own exclusive rights – is an additional reason to reaffirm the century-old defense. Otherwise, innovators and their products would face even more abuse of the patent system than they do at present. *See Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002) ("[C]ourts must be cautious before adopting changes that disrupt the settled expectations of the inventing community.").

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[26] Relevant briefs supporting First Quality in the court of appeals include ECF Nos. 155 (technology companies including Garmin, LinkedIn, and present *amicus* SAP), 202 (Askeladden, a subsidiary of the Clearing House, an association of the world's largest banks), 204 (AT&T and present *amicus* T-Mobile), 205 (Cook Medical), 207 (Roche), 198 (several present *amici*), 199 (Johnson & Johnson, joined by its subsidiary Cordis, the defendant in the *Medinol* case), and 224 (Harley-Davidson and Rockwell Automation, among others). *See* JA15a-19a.

CONCLUSION

The judgment of the court of appeals should be affirmed.

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ADDENDUM

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Acushnet Company
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Association of Global Automakers, Inc.
ASUSTeK Computer Inc.
CableLabs
Canon Inc.
Comcast Corporation
CTIA – The Wireless Association
Dell Inc.
Fairchild Semiconductor International, Inc.
Google Inc.
HP Inc.
Intel Corporation
The Internet Association
J. C. Penney Corporation, Inc.
L Brands, Inc.
Mastercard Inc.
Micron Technology, Inc.
Newegg Inc.
QVC, Inc.
Red Hat, Inc.
Samsung Electronics Co., Ltd.
SAP America, Inc.
SAS Institute Inc.
Symmetry LLC
T-Mobile USA, Inc.
Varian Medical Systems, Inc.
Visa, Inc.

VIZIO, Inc.
Xerox Corporation
Xilinx, Inc.

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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGENIC, INC., FIRST QUALITY PRODUCTS, INC., AND FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF THE ELECTRONIC FRONTIER FOUNDATION AND PUBLIC KNOWLEDGE AS *AMICI CURIAE* IN SUPPORT OF RESPONDENTS

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INTEREST OF *AMICI CURIAE*

The Electronic Frontier Foundation[1] ("EFF") is a nonprofit civil liberties organization that has worked for over 25 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 26,000 dues-paying members have a strong interest in helping the courts ensure that intellectual property law serves the public interest.

Public Knowledge is a non-profit organization that is dedicated to preserving the openness of the Internet and the public's access to knowledge, promoting creativity through balanced intellectual property rights, and upholding and protecting the rights of consumers to use innovative technology lawfully. Public Knowledge advocates on behalf of the public interest for a balanced patent system, particularly with respect to new and emerging technologies.

The Electronic Frontier Foundation and Public Knowledge have previously served as *amici* in patent cases. *E.g.*, *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016); *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014); *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014); *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014).

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[1] Pursuant to Supreme Court Rule 37.3(a), all parties received appropriate notice of and consented to the filing of this brief. Pursuant to Rule 37.6, no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of the brief. No person or entity, other than *amici*, their members, or their counsel, made a monetary contribution to the preparation or submission of this brief.

SUMMARY OF ARGUMENT

In the library of this Court sits a small volume, a gift to the Honorable Learned Hand, that opens with a proposition: "The element of time . . . pervades the entire patent law structure." Joseph V. Meigs, *Time: The Essence of Patent Law* vii (1940). There can be little doubt of this truth. A patent is awarded to the applicant who is first in time, and no patent may issue on an invention that was earlier in time patented, described, or known to the public. In advancing the inventions of the future, patent law constantly relies on evidence of the past to determine which patents are valid.

That temporal dimension is why patent law should retain the equitable doctrine that encourages timeliness. Laches is and ought to be available in patent infringement cases because it helps to ensure that patent validity, a concern central to the patent system and highly sensitive to time delay, is fully and fairly adjudicated. In patent law as in others, the doctrine of laches serves to abate the possibility that the passage of time may obscure evidence of invalidity. The fact that "testimonial evidence is frequently critical to invalidity defenses" supported the Federal Circuit's retention of laches in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020, 1035 (Fed. Cir. 1992), and it counsels strongly toward retaining the defense now.

1. In patent infringement actions, evidentiary prejudice created by the passage of time disproportionately harms those accused of infringement. Patent invalidation often depends on fact- and time-specific evidence such as what products were available as of a particular date, the time and conditions of an article's publication, and knowledge at a given point in the past—evidence that is easily

lost or forgotten over time. In case after case, including cases that have come before this Court, those accused of patent infringement have proffered evidence of invalidity, but the difficulty in procuring facts from the past prevented those defendants from meeting the clear-and-convincing evidence burden required for patent invalidation.

Internet architecture and software industry norms have exacerbated the rate of loss of technological prior art. Ordinary fast-paced software industry practices are not conducive to the meticulous documentation of prior invention that the patent system demands. Furthermore, the Internet is notorious for losing information over time, heightening the likelihood of loss of evidence needed today.

When time delay frustrates a charge of patent invalidity, the injury is not merely to the party to the lawsuit—the injury falls upon the entire public, who now must pay licensing fees that may not have been required if the patent had been timely adjudicated and invalidated.

Delay in bringing suit over patent infringement thus creates a unique harm: it fades away evidence that might otherwise have invalidated the patent at issue. Laches in patent cases is necessary to avoid this possibility to the largest extent possible.

Not all delay is due to laches, and many of the examples of the harms of delay described below cannot be addressed by laches. But laches has never been intended to cure all the harms of delay; the doctrine's more modest *raison d'être* has always been to discourage a limited class of inequitable and prejudicial delays. *See, e.g., Nat'l R.R. Passenger Corp. v. Morgan*, 536 U.S. 101, 122 (2002). That the laches defense will at least in some cases deter

the serious harms described herein is reason enough to preserve that defense.

2. Besides pointing to strong reasons why laches serves necessary purposes of the patent system, invalidity evidence concerns render the copyright precedent, *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), inapplicable to the patent context. First, invalidity is rarely disputed in copyright cases; *Petrella* had little occasion to contemplate whether laches was needed to facilitate copyright invalidity defenses. By contrast, invalidity is often the central focus of patent cases; insofar as the availability of laches could strongly affect patent invalidity outcomes, considerations outside the scope of *Petrella* must be considered here.

Second, *Petrella* relied in part on a view that copyright claimants and defendants would be equally harmed by delay, rendering the incentive effect of laches unnecessary. But patent law provides a strikingly different context. While the nature of invalidity defenses renders alleged patent infringers greatly prejudiced by delay, patent owners rarely need to offer evidence of the past. A prima facie case of patent infringement can be made by comparing information in the four corners of a patent to a product on a store shelf; little to no historical investigation is needed. This asymmetry in evidentiary burdens demands a different result in application of laches in the patent context.

ARGUMENT

I. LACHES IN PATENT CASES IS NECESSARY TO PROMOTE FAIRNESS IN VALIDITY DETERMINATIONS

By encouraging timeliness in bringing patent infringement cases, laches promotes fairness in patent validity determinations. Invalidity defenses often rely on evidence that is attenuated or lost over time. Undue delay thus makes invalidity harder to prove, unfairly harming both the accused infringer and the public at large. By deterring undue delay, laches mitigates these harms.

A. EVIDENCE OF INVALIDITY IS SUSCEPTIBLE TO LOSS AFTER DELAY

Those accused of infringement regularly raise the defense of patent invalidity along three avenues: anticipation by prior art, obviousness over prior art, or insufficient description or enablement. The effect of delay on evidence of each of these avenues to invalidity is described in turn.

1. ANTICIPATION

A patent is invalid as anticipated by prior art if its invention was "described in a printed publication, or in public use, on sale, or otherwise available to the public" before the relevant filing date of the patent. 35 U.S.C. § 102(a)(1).[2] Because of the backward-looking nature of this defense, laches can hinder proof of anticipation.

[2]Patents based on applications filed prior to March 16, 2013 are subject to a different anticipation requirement, though similar in relevant substance. *See* America Invents Act, Pub. L. No. 112-29, sec. 3(n)(1), 125 Stat. 284, 293 (2011).

1. For example, a key defense against improperly granted patents is showing that the invention was "in public use, on sale, or otherwise available to the public." *Id.* In just the last few years, the Federal Circuit has considered numerous cases involving potentially invalidating public use, including a recent significant en banc case; district courts have heard many more.[3] Thus, contrary to the suggestions of one other *amicus*,[4] invalidity disputes over public use are a critical and frequent occurrence in patent law.

Proving invalidity based on prior public use is much more difficult after delay. The defense often turns on exacting showings of the precise times of invention. *See, e.g., Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 (1998) (requiring evidence of when invention is "ready for patenting"); *Egbert v. Lippmann*, 104 U.S. 333, 336–37 (1881) (relying on time when garment was first worn in public as evidence of public use). That evidence, by definition not

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[3] *See, e.g., Meds. Co. v. Hospira, Inc.*, No. 14-1469, -1504, 2016 WL 3670000, at *8 (Fed. Cir. July 11, 2016) (en banc); *Merck & Cie v. Watson Labs., Inc.*, 822 F.3d 1347, 1351–52 (Fed. Cir. 2016); *TransWeb, LLC v. 3M Innovative Props. Co.*, 812 F.3d 1295, 1299, 1301–03 (Fed. Cir. 2016) ("The primary issues are whether sufficient corroborating evidence exists to support the finding of prior public use "); *Delano Farms Co. v. Cal. Table Grape Comm'n*, 778 F.3d 1243, 1247–48 (Fed. Cir. 2015); *Hamilton Beach Brands, Inc. v. Sunbeam Prods., Inc.*, 726 F.3d 1370, 1375–79 (Fed. Cir. 2013); *Unwired Planet, LLC v. Apple Inc.*, 106 F. Supp. 3d 1083, 1099–100 (N.D. Cal. 2015), *vacated on other grounds*, No. 15-1725, 2016 WL 3947839 (Fed. Cir. July 22, 2016); *see also Tesco Corp. v. Nat'l Oilwell Varco, LP*, 804 F.3d 1367, 1369–70 (Fed. Cir. 2015) (relating to invalidity determination based on on-sale bar).

[4] *See* ABA Br. 14 & n.15, July 22, 2016. Even if ABA were correct that invalidity disputes often turn on printed publications, time delay remains a concern in light of evidence necessary for that prior art as well. *See* Section I.A.1(2) *infra* p. 7.

recorded in printed publications, is not the type typically archived by libraries and is thus notoriously susceptible to loss or deterioration over time. Indeed, the Federal Circuit is so concerned with quality of public use evidence that it demands a "heavy burden when establishing prior public knowledge and use based on long-past events," and requires corroboration of oral testimony. *Woodland Trust v. Flowertree Nursery Inc.*, 148 F.3d 1368, 1373 (Fed. Cir. 1998).[5] This "burden" was justified by the Federal Circuit, in part, based on its belief that "in modern times, by the ubiquitous paper trail of virtually all commercial activity" would mean that it would be "rare indeed that some physical record . . . does not exist." *Id.* Without laches, however, that "heavy burden" of corroboration becomes increasingly heavy, and eventually, especially "in modern times," likely insurmountable. *See* Section I.B *infra* p. 11.

2. Even patent invalidation based on printed publications is made more difficult after delay. In order for a printed publication to serve as prior art under § 102, the proponent must prove that the publication was "sufficiently accessible to the public interested in the art." *In re Cronyn*, 890 F.2d 1158, 1160 (Fed. Cir. 1989) (quoting *Constant v. Advanced Micro-Devices, Inc.*, 848 F.2d 1560, 1568 (Fed. Cir. 1988)). That may involve showing the time that the relevant document was indexed for searching, *see, e.g., Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1349–50 (Fed. Cir. 2016), or demonstrating that the forum or journal of publication was of sufficient renown

[5]The Federal Circuit's corroboration requirement is asymmetric: patent challengers seeking invalidity must provide corroboration, but patentees rebutting invalidity charges need not. *See i4i LP v. Microsoft Corp.*, 598 F.3d 831, 847 (Fed. Cir. 2010), *aff'd*, 131 S. Ct. 2238 (2011).

to those in the relevant technical field, *see, e.g.*, *Voter Verified, Inc. v. Premier Election Solutions, Inc.*, 698 F.3d 1374, 1380–81 (Fed. Cir. 2012).

Evidence of whether a document was "sufficiently accessible" is easy to lose over time. At least three cases have turned on detailed facts regarding whether procedures for indexing and cataloging library holdings meant that a dissertation qualified as prior art. *See Cronyn*, 890 F.2d at 1161; *In re Hall*, 781 F.2d 897, 899 (Fed. Cir. 1986); *In re Bayer*, 568 F.2d 1357, 1361 (C.C.P.A. 1978). These are facts that are unlikely to be retained. Indeed, evidence of library procedures in two of these cases depended on the memory and testimony of librarians. *See Hall*, 781 F.2d at 897–98; *Bayer*, 568 F.2d at 1358.

In other cases, a document's status as a printed publication has depended on such facts as the number of people attending a conference, *Mass. Inst. of Tech. v. AB Fortia*, 774 F.2d 1104, 1109 (Fed. Cir. 1985), professional norms and expectations about copying or taking notes when the document is presented, *see In re Klopfenstein*, 380 F.3d 1345, 1351 (Fed. Cir. 2004), and the technical operations of online database services at a particular point in time, *see In re Lister*, 583 F.3d 1307, 1317 (Fed. Cir. 2009). These are all ephemeral facts, often left unrecorded and likely to escape memory.

Thus, for both public use and printed publications, time delay can erase necessary evidence of what might have been a strong case for invalidity by anticipation.

2. Obviousness

Time delay also interferes with proving patent invalidity for obviousness under 35 U.S.C. § 103. Determination of obviousness of patent claims is based on a four-part

inquiry into (1) "the scope and content of the prior art," (2) "differences between the prior art and the claims at issue," (3) "the level of ordinary skill in the pertinent art," and (4) "secondary considerations" that may serve as "indicia of obviousness or nonobviousness." *Graham v. John Deere Co.*, 383 U.S. 1, 17–18 (1966).

Because obviousness turns on prior art, time delay hinders proof of obviousness in all the ways that delay hinders proof of anticipation, as described above. And delay attenuates evidence of a further element of obviousness, namely the determination of the "level of ordinary skill in the pertinent art."

The relevant level of skill in the art is that as of "the effective filing date of the claimed invention." 35 U.S.C. § 103.[6] Assessment of that level "requires the oft-difficult but critical step of casting the mind back to the time of the invention." *In re Dembiczak*, 175 F.3d 994, 999 (Fed. Cir. 1999). Experts are often called on to both discuss the state of the prior art as of the priority date and mentally exclude any post-priority advances in a field. *See, e.g.*, Rebecca S. Eisenberg, *Obvious to Whom? Evaluating Inventions from the Perspective of PHOSITA*, 19 Berkeley Tech. L.J. 885, 899 (2004). That feat of mental gymnastics only becomes more difficult as time elapses.

Furthermore, this Court recognized not long ago that the obviousness inquiry must also consider the common sense inferences that the skilled artisan[7] would reach.

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[6]Prior to the America Invents Act, § 103 used the language "the time of the invention." The difference is inconsequential for purposes of the argument here.

[7]Rather than the lengthy phrase "person having ordinary skill in the art," courts and litigants use short forms such as "PHOSITA." This brief uses the more readable "skilled artisan." *See Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2130 (2014).

See KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398, 420–21 (2007). Envisioning the scope of common sense at a particular time in history is difficult, and that difficulty is multiplied as the time gap increases.

Difficulty in assessing the skilled artisan's past knowledge tends to disfavor those seeking invalidation by obviousness. The difficulty of "casting the mind back" has led the Federal Circuit to be hypervigilant for hindsight bias and to reject obviousness determinations where the knowledge of a skilled artisan might be in question. *See, e.g., W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1553 (Fed. Cir. 1983); *In re Cyclobenzaprine Hydrochloride Extended-Release Capsule Patent Litig.*, 676 F.3d 1063, 1073 (Fed. Cir. 2012); Glynn S. Lunney, Jr. & Christian T. Johnson, *Not So Obvious After All: Patent Law's Nonobviousness Requirement, KSR, and the Fear of Hindsight Bias*, 47 Ga. L. Rev. 41, 42–43 (2012) (noting dramatic decrease in success of obviousness defenses following creation of Federal Circuit). Evidentiary difficulties in determining obviousness, in practice, have resulted in fewer patents being determined obvious.

3. Insufficiency of the Specification

Time delay may also diminish evidence of a patent's invalidity for failure to meet the statutory requirements for the written specification. Under 35 U.S.C. § 112, a patent must satisfy three primary requirements: it must include a written description demonstrating possession of the patented invention, § 112(a), it must enable one of ordinary skill in the art to practice the invention without undue experimentation, *id.*, and it must include claims specifying the patent's exclusionary right with sufficient definiteness, § 112(b).

Each of these three requirements is measured with respect to a skilled artisan. Under the written description requirement, the patent must "clearly allow persons of ordinary skill in the art to recognize that the inventor invented what is claimed." *Ariad Pharm., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010) (en banc) (quoting *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1563 (Fed. Cir. 1991)) (internal alterations omitted). Under enablement, the oft-cited factors of *In re Wands* include "the relative skill of those in the art." 858 F.2d 731, 737 (Fed. Cir. 1988). And definiteness of claims "is to be evaluated from the perspective of someone skilled in the relevant art." *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2128 (2014).

As explained above with respect to obviousness determinations, determination of the knowledge of a skilled artisan at the time of the invention is a fact-specific inquiry that often involves evidence susceptible to loss over time. That possibility of lost evidence means that time delays can impede determinations of whether a patent satisfies § 112. Because patents are statutorily presumed valid, *see* 35 U.S.C. § 282, and may only be invalidated over clear and convincing evidence, *Microsoft Corp. v. i4i LP*, 131 S. Ct. 2238, 2243 (2011), any deficiency in evidence will tend to disfavor invalidation. Thus, as with anticipation and obviousness, a delay in litigating a patent will increase the difficulty of proving invalidity under § 112.

B. Cases and Business Practices Show the Effect of Delay on Invalidity Defenses

It is not mere theory that delay impedes proof of invalidity. The negative effect of delay on invalidity de-

fenses is both seen in past cases and made more likely by industry-standard business practices.

1. Cases demonstrate that delay can make invalidity defenses harder or even impossible to prove.

In *Odetics, Inc. v. Storage Technology Corp.*, the patent owner asserted a patent on data backup systems against a manufacturer of such systems. *See* 919 F. Supp. 911, 916 (E.D. Va. 1996), *vacated on other grounds*, 116 F.3d 1497 (Fed. Cir. 1997) (unpub. tbl. op.). Contesting the validity of the patent, the manufacturer argued that it had invented the backup systems before the patent owner. *See id.* at 922 & n.17. But the patentee had delayed bringing suit for over six years. *Id.* at 921. In the interim, the manufacturer had destroyed 600–800 documents that might have proven invalidity, and the manufacturer's patent counsel had forgotten he had ever represented the manufacturer. *See id.* at 922. The loss of those facts due to the patentee's delay, said the district court, had rendered the manufacturer's ability to raise its invalidity defense "somewhat less than 'full and fair.'" *Id.* at 923 (quoting *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1033 (Fed. Cir. 1992)).

Absent a laches defense, delay in bringing suit in *Odetics* may very well have rendered a practicing manufacturer liable for patent infringement *for a product that it invented first.*

Similarly, *i4i LP v. Microsoft Corp.* involved a patent on a method of displaying and editing certain special computer files using word processing software, and the patent owner alleged that the word processing program Microsoft Word infringed the patent. *See* 598 F.3d 831, 839–40 (Fed. Cir. 2010), *aff'd*, 131 S. Ct. 2238 (2011). Microsoft contended that the patent was invalid because the

patentee had sold a product called S4 before the relevant date of the patent. *See id.* at 846.

A factual dispute ensued, which could have easily been resolved with a single piece of evidence: the source code of S4.[8] But the litigation was filed fourteen years after S4's creation, and the patentee had destroyed S4's source code "years before this litigation began." *Id.* With only circumstantial evidence of the S4 program, Microsoft was unable to meet the threshold of clear and convincing evidence to invalidate the patent. *See id.* at 847–48.

2. The document losses observed in both *Odetics* and *i4i* are not idiosyncratic to those cases, but reflective of ordinary business practices. Company records are regularly destroyed pursuant to standard document retention policies. *See, e.g.*, *Arthur Andersen LLP v. United States*, 544 U.S. 696, 704 (2005) (noting document destruction policies to be "common in business" and "not wrongful").[9] Indeed, document destruction may sometimes be legally required.[10]

Patent applicants, owners, and attorneys regularly destroy patent-related records in this manner, even though the records may become relevant to patent as-

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[8]Source code is a set of written instructions that a computer can interpret (possibly through a translational step called "compilation") to perform desired operations. All computer programs originate from a software developer writing source code.

[9]*See also* Ass'n of Records Managers & Adm'rs, *Generally Accepted Recordkeeping Principles* 9 (2014), URL *supra* p. viii; LexisNexis, *Elements of a Good Document Retention Policy* 3 (2007), URL *supra* p. ix.

[10]*See, e.g.*, 34 C.F.R. § 99.31(a)(6)(iii)(B) (requiring school contractors to destroy educational records when no longer needed).

sertion later.[11] Of course, the interest of patent owners and their attorneys is to destroy potentially harmful documents and to retain helpful ones,[12] an interest that has on occasion been followed so zealously that it led to sanctionable conduct. *See Micron Tech., Inc. v. Rambus Inc.*, 645 F.3d 1311, 1325–26 (Fed. Cir. 2011) (patentee held "shred days" before imminent litigation).[13] Delay in bringing suit could leave patent infringement defendants without key documents that would have been present had the lawsuit been timely filed.

These cases and practices show how delay affects evidence of patent invalidity: key documents are destroyed, and memories fade. Where delay in bringing suit is excusable, such losses may be written off as the unfortunate uncertainties of litigation.[14] But where it is within the power of the patentee to avoid the prejudice of delay, the law ought strongly to encourage early filing of lawsuits to give parties a fuller, fairer opportunity to litigate questions of invalidity. Laches is the well-established tool for encouraging that behavior, and it ought to be retained.

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[11] *See* David W. O'Brien, *Discovery of Draft Patent Applications: Considerations in Establishing a Draft Retention Policy*, 2 Tex. Intell. Prop. L.J. 237, 255–56 (1994).

[12] Helpful documents might include, for example, evidence that the inventor on a patent conceived of an invention at an earlier time than the filing date of the application. *See Mahurkar v. C.R. Bard, Inc.*, 79 F.3d 1572, 1578 (Fed. Cir. 1996).

[13] It is worth considering whether, if the patentee in *Micron* had engaged in laches after destroying the documents, the accused infringer would have had any evidence left to prove that the unlawful destruction had occurred.

[14] In *i4i*, for example, the district court ultimately found the patentee's delay excusable. *See i4i LP v. Microsoft Corp.*, 670 F. Supp. 2d 568, 603–05 (E.D. Tex. 2009).

C. Internet-Related Prior Art Is Particularly Sensitive to Loss over Time

Ties between the Internet and prior art render discouraging delay through the laches defense even more important today than ever before. Increasingly, prior art that can be used to invalidate patents can be found on the Internet, either because it is published on that network or because it is software built for that network. But software technology lifecycles outpace the level of documentation needed for prior art purposes and the Internet is notoriously unreliable as a long-term archive.

1. Software development happens at a fast pace, often in a context of intense competition. It is an iterative process that must rapidly respond to user needs and feature requests.[15] The processes are often decentralized, and the formal development tools are optimized for collaboration and efficiency rather than litigation record keeping. Moreover, disclosure of new features and innovations to the public often occurs by releasing new versions, rather than through patents or traditional printed journals. The community mantra is, as one veteran software developer put it: "Release early. Release often. And listen to your customers." Eric S. Raymond, *The Cathedral and the Bazaar: Musings on Linux and Open Source by an Accidental Revolutionary* 29 (rev. ed. 2001).

In seeking to please a demanding user base with rapid improvements, software developers rarely take the time to chronicle all the details of their work at each release time. The conventional avenue of documenting prior art, namely filing a patent application, is rarely undertaken in

[15] *See, e.g.*, Tom Warren, *Windows 10: The Top 10 Most Requested Features*, The Verge (Oct. 17, 2014), URL *supra* p. xi (Microsoft soliciting feature requests for its Windows operating system).

the software industry: multiple studies have found that "most venture-backed software firms did not acquire any patents."[16] And historical versions of the software itself often go unarchived, because software users are regularly encouraged to update immediately to the latest and greatest versions.[17]

The fast pace of software creation often means that software developers have little time to extensively document their progress. Release notes, if prepared at all, are often written in sparse shorthand, which make searching difficult.[18] Often software developers forgo detailed, timestamped documentation of their work because they

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[16] Ronald J. Mann & Thomas W. Sager, *Patents, Venture Capital, and Software Start-Ups*, 36 Res. Pol'y 193, 197 (2007); *see also* Stuart J.H. Graham et al., *High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey*, 24 Berkeley Tech. L.J. 1255, 1278–79 (2009).

[17] Indeed, because many software updates address security flaws and vulnerabilities, many companies strongly *discourage* users from retaining old versions. *See, e.g.*, Stefan Lueders, *Computer Security: Mac Security: Nothing for Old Versions*, CERN (July 7, 2016), URL *supra* p. x. Certainly some developers keep old versions in archival programs, or code repositories, that keep track of a software project over time. Those software archives are sometimes even publicly available, in the case of open source software. *See generally* Raymond, *supra*. But mere availability of old software does not necessarily render it useful prior art. Searching myriad repositories for relevant computer code is often an exercise in futility. *See* Christina Mulligan & Timothy B. Lee, *Scaling the Patent System*, 68 N.Y.U. Ann. Surv. Am. L. 289, 300 (2012). Locating the right art in a software repository will often depend on the memories of users and authors of that software—memories subject to loss over time.

[18] *See, e.g.*, Davin Granroth, *How to Write Release Notes* (Mar. 3, 2010), URL *supra* p. ix ("Release notes are often little more than a bullet list of updates, and that's fine."); Jennifer Cloer, *10 Years of Git: An Interview with Git Creator Linus Torvalds*, Linux Found. (Apr. 6, 2015), URL *supra* p. viii (discussing difficulties with producing good

believe—rightly—that the practice is error-prone: for a frequently updated program, out-of-date documentation can do more harm than good.[19] And to the extent that company-internal documentation is generated, that documentation may very well be destroyed in the ordinary course of business. *See* Section I.B(2) *supra* p. 13.

The likelihood of loss of primary evidence of software prior art is further emphasized by how often patent litigators rely on circumstantial evidence such as mailing list postings and product brochures. *See, e.g.*, *Suffolk Techs., LLC v. AOL Inc.*, 752 F.3d 1358, 1361–65 (Fed. Cir. 2014) (Internet newsgroup posting); *i4i*, 598 F.3d at 847 (letter to investors); *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 73 F. Supp. 2d 1228, 1233–34 (W.D. Wash. 1999) (retailer advice book mentioning relevant software). This circumstantial evidence is presumably offered only because the more direct evidence, such as source code or detailed documentation, is unavailable.

And it is not just that material from software firms is prone to loss—the firms themselves often disappear, taking relevant prior art with them. Many "dotcom bubble" companies in the early 2000s quickly failed, but similar technologies are now used by modern, profitable companies.[20] Documents and code from defunct startups, if they

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commit messages and other documentation when using GitHub, a Git repository hosting service).

[19] *See* Frederick P. Brooks, Jr., *The Mythical Man-Month: Essays on Software Engineering* 169 (1975) (noting "folly of trying to maintain independent files [e.g., software code and documentation] in synchronism"); Peter Vogel, *Why You Shouldn't Comment (or Document) Code*, Visual Studio Mag. (June 27, 2013), URL *supra* p. xi.

[20] *See* Robert McMillan, *Turns Out the Dot-Com Bust's Worst Flops Were Actually Fantastic Ideas*, Wired (Dec. 8, 2014), URL *supra* p. x (describing Pets.com). The ABA brief's assertion (at 14 n.16) that dotcom-era *patents* from the 1990s are in large part expired

even existed in the first place, are unlikely to remain after the companies cease to exist. But those documents and code could easily be relevant prior art to patents that are asserted today. When a software patent owner engages in laches, a firm with key prior art could very well go bankrupt during the delay period, making that prior art impossible to find or authenticate.

Rapid, iterative development in software and Internet technologies positions alleged infringers poorly, often through no fault of their own, to fight patent infringement suits after delay. Absent the risk of laches, patent owners can exploit these realities to more easily assert patents that would be invalidated but for the practical inability to find and establish cognizable evidence of invalidity.

2. The Internet further exacerbates the problems caused by delay, because Internet-published documents such as websites and online articles are subject to greater loss. The problem, sometimes generally referred to as "link rot," is that information on a website can be moved, altered, or even deleted at the website operator's whim, making that information difficult or impossible to find later. *See* Jonathan Zittrain et al., *Perma: Scoping and Addressing the Problem of Link and Reference Rot in Legal Citations*, 127 Harv. L. Rev. F. 176, 176 (2014).[21]

Studies confirm the prevalence of link rot. One survey found that websites cited in scientific literature had

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(even though they are not, *see, e.g., VirnetX, Inc. v. Cisco Sys., Inc.*, 767 F.3d 1308 (Fed. Cir. 2014) (involving 1998 patents)) is entirely irrelevant to concerns about loss of dotcom-era *non-patent prior art*. That prior art is frequently necessary to invalidate patents filed well after that era.

[21] As just one example of link rot, citations in this very brief had to be modified from those referenced in the brief *amici* filed at the Federal Circuit, in part because several of the links no longer worked.

a median lifespan of only 9.3 years—less than half of ordinary patent term. *See* Jason Hennesey & Steven Xijin Ge, *A Cross Disciplinary Study of Link Decay and the Effectiveness of Mitigation Techniques*, 14 (Supp. 14) BMC Bioinformatics S5, 3 (2013), *available at* URL *supra* p. ix; 35 U.S.C. § 154(a)(2). Another found that URL references in three major law journals over a 17-year window worked only about 30% of the time, with the balance returning errors or incorrect data. *See* Zittrain et al., *supra*, at 184.

Services like the Internet Archive's "Wayback Machine" seek to ameliorate link rot.[22] But even that service, which periodically archives and timestamps the contents of the Internet, cannot solve this problem. The Internet is large and archivists struggle to collect it all: the survey described above found that only 62% of links studied were saved on the Internet Archive. *See* Hennesey & Ge, *supra*, at 3.

More importantly, services like the Internet Archive generally do not (and likely cannot) store interactive content like database query results or programmed Internet scripts. *See* Comments of ABA Section of Intellectual Property Law 2, *Prior Art Resources for Use in the Examination of Software-Related Patent Applications*, 79 Fed. Reg. 644 (USPTO Apr. 23, 2014), *available at* URL *supra* p. viii (web pages "including certain JavaScript enabled links and instructions may not be archived").[23] Those services thus fail to archive the in-

[22] *See generally* Jill Lepore, *The Cobweb: Can the Internet Be Archived?*, New Yorker, Jan. 26, 2015, at 34, *available at* URL *supra* p. ix (describing the Internet Archive and related services). The Internet Archive itself is currently accessible at https://archive.org/.

[23] Those comments, as with other examples of gaps in Internet archiving, are difficult to resolve with the ABA *amicus* brief, which

formation perhaps most useful to prove software patent invalidity, especially where the patented technologies involve databases and interactive programs.

Indeed, this Court itself has observed the depth of the link rot problem. Responding to criticisms that almost half of website links in Supreme Court opinions no longer worked,[24] the Court adopted a new policy of archiving and making available copies of Internet content it cites.[25]

Link rot shows that the Internet, as useful as it may be, is a poor archive of historical information. To the extent that online information is necessary prior art for invalidating a patent, then, time delay will severely diminish the availability of that information. In an age where the Internet is more and more the central hub of publication, discouragement of time delay through the laches doctrine is only more essential.

D. The Public at Large Is Harmed When Laches Frustrates Proof of Invalidity

The evidentiary harm to invalidity defenses caused by undue delay does not merely affect one defendant to a patent lawsuit. It affects the entire public, and the gravity of that widespread effect strongly counsels toward retaining legal disincentives to delay.

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contends without relevant citation that services like the Wayback Machine "capture and preserve nearly everything published on the internet." ABA Br. 14, July 22, 2016.

[24] *See* Megan Garber, *49% of the Links Cited in Supreme Court Decisions Are Broken*, The Atlantic (Sept. 23, 2013), URL *supra* p. ix; Adam Liptak, *In Supreme Court Opinions, Web Links to Nowhere*, N.Y. Times, Sept. 24, 2013, at A13; Zittrain et al., *supra*, at 186–87.

[25] Lyle Denniston, *No Subs for Lawyers in Court Lines*, SCOTUSblog (Oct. 5, 2015), URL *supra* p. viii.

An issued but invalid patent is a public evil, and invalidation of that patent is a public good. Because it imposes a restraint on all people subject to the laws of the United States, every patent "by its very nature is affected with a public interest." *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945); *see also Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S. Ct. 843, 851–52 (2014). Where a patent owner possesses a statutorily defective but nonetheless issued patent, "the public may continually be required to pay tribute to would-be monopolists without need or justification." *Lear, Inc. v. Adkins*, 395 U.S. 653, 671 (1969). As a result, this Court has many times "emphasized the importance to the public at large of resolving questions of patent validity." *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 100 (1993); *see also Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892) (it is "important to the public that competition should not be repressed by worthless patents").

A defense of invalidity of a patent is often the best, and sometimes the only,[26] way to reap that public good. A judicial determination works to collaterally estop a patentee from making future accusations of infringement. *See Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971). Thus, the result of patent invalidation is "the creation of a public good enjoyed by society as a whole, not just the party who challenged the patent."

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[26] Although there exist several administrative avenues to challenge patent validity, each is limited to certain types of challenges. *See, e.g.*, 35 U.S.C. § 311(b) (*inter partes* review, limited to printed publication prior art); 35 U.S.C. § 321(c) (post-grant review, limited to 9 months after patent issuance). Only district court litigation allows every type of validity challenge.

Megan M. La Belle, *Patent Litigation, Personal Jurisdiction, and the Public Good*, 18 Geo. Mason L. Rev. 43, 61 (2010).

Where undue delay renders what would have been a successful invalidity defense unprovable due to loss of evidence, that public good is lost.[27] Unjustified tribute to would-be monopolists must be paid not only by one lawsuit defendant, but also by the entire population.

That broad harm defeats the foundational premise of the patent system itself. The "primary object" of the patent monopoly is its benefit to the public and community at large. *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 511 (1917). Public disclosure of new and useful inventions is the "centerpiece of federal patent policy," because disclosure both makes innovation publicly accessible and demarcates the limited monopoly right. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 157 (1989). And no less important to the patent system is "substantially free trade" in publicly known, unprotected conceptions so the public can build on prior knowledge. *Id.* at 155. Permitting patent owners to impede invalidity determinations by unreasonably delaying litigation would undermine these fundamental principles.

[27] Certainly laches as a defense is personal to the asserting party. *See Holmberg v. Armbrecht*, 327 U.S. 392, 396 (1946) (laches is "founded upon some change in the condition or relations of the property or the parties") (quoting *Galliher v. Cadwell*, 145 U.S. 368, 373 (1892)). But the incentive effect of the laches defense is not so limited: it produces a benefit that accrues to the entire public.

II. PATENT-SPECIFIC CONCERNS OF INVALIDITY EVIDENCE MAKE *PETRELLA* INAPPLICABLE

Based on a detailed statutory analysis of the Copyright Act, *Petrella v. Metro-Goldwyn-Mayer, Inc.* rejected the defense of laches in copyright cases. *See* 134 S. Ct. 1962, 1974 (2014). But that copyright-specific analysis renders *Petrella* distinguishable due to the patent-specific concerns regarding invalidity defenses discussed above, for at least two reasons. First, validity challenges in patent cases have no significant counterpart in the copyright context. Second, *Petrella* relied on the premise that plaintiffs and defendants in copyright cases are equally harmed by delay, but that premise fails to carry over to patent law, where defendants are uniformly more harmed.

A. IN STARK CONTRAST TO PATENT VALIDITY, COPYRIGHT VALIDITY IS RARELY CONTESTED

Although a valid copyright is required to make a claim for copyright infringement, validity is often not contested in copyright matters. *See, e.g., Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 574–75 (1994) (validity not at issue, as it was "uncontested" that defendant's acts "would be an infringement" but for fair use). A database search of all copyright cases pending as of January 2009 shows that only 2.7% of judgment events resulted in a finding of a lack of ownership/validity of the copyright at issue, with a further 6.4% percent of judgment events finding ownership/validity.[28]

[28]These values were computed based on data from the online service *Lex Machina*, as of April 20, 2015. Among 3019 judgment events recorded there, 193 found that the copyright was valid and that the party asserting it had the right to do so, and 84 found the opposite.

In contrast, defendants in patent cases commonly challenge the validity of the patent at issue, often based on the lack of novelty under § 102 or nonobviousness under § 103. One study found that, of cases filed in 2008-2009, motions for summary judgment on invalidity were filed in roughly 45% of cases, of which 70% related to anticipation or obviousness. John R. Allison et al., *Understanding the Realities of Modern Patent Litigation*, 92 Tex. L. Rev. 1769, 1778, 1784–85 (2014).

That distinction, in turn, presents patent defendants with evidence-gathering challenges that copyright defendants rarely face. For example, as discussed above, anticipation and obviousness invalidity defenses require prior art predating the priority date of the patent. Thus patent defendants must frequently rely on evidence from many years prior to the filing of a lawsuit in order to make their prima facie case.

In addition, patent validity is directly affected by the actions of third parties. Third parties have evidence that defines the scope and content of the prior art, and those third parties likely give little thought, if any, to maintaining records for use by others in patent infringement actions. Copyright defendants, in contrast, often defend allegations of infringement using their own materials. *See, e.g.*, *Campbell*, 510 U.S. at 582 (lyrics of defendant's own song established parody defense); *Graham v. James*, 144 F.3d 229, 235–38 (2d Cir. 1998) (discussing use of license as defense to copyright infringement).

A further distinction lies in the burdens of proof. In both copyright and patent litigation, an alleged infringer

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Judgment events include the following: default judgment, consent judgment, judgment on the pleadings, summary judgment, trial, and judgment as a matter of law.

can raise invalidity as a defense. *Compare* 17 U.S.C. § 410(c) (copyright registration carries presumption of validity), *with* 35 U.S.C. § 282(b)(2) (defenses to patent infringement include patent invalidity). However, patent defendants, unlike their copyright counterparts, must establish invalidity with "clear and convincing" evidence. *Compare i4i*, 131 S. Ct. at 2251–52, *with Lamps Plus, Inc. v. Seattle Lighting Fixture Co.*, 345 F.3d 1140, 1144 (9th Cir. 2003) (copyright defendant "must simply offer some evidence or proof" to rebut presumption of validity). Thus, stale evidence risks prejudices not faced by defendants in copyright infringement litigation.

B. Unlike Copyright Owners, Patentees Do Not Generally Require Evidence Subject to Loss over Time

In reasoning that laches should not apply in copyright cases, *Petrella* relied in part on a view that evidentiary prejudice from delay would be "at least as likely" to harm copyright owners as alleged copyright infringers. 134 S. Ct. at 1977. That strongly distinguishes *Petrella* from the patent context, because patentees generally *do not* rely on evidence that is likely to be lost due to delay.

1. The most important time-sensitive evidence that a copyright owner must show is proof of copying. *See Mazer v. Stein*, 347 U.S. 201, 218 (1954) ("Absent copying there can be no infringement of copyright."); *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361 (1991). A copyright owner that delays filing suit may find it difficult to gather evidence of copying; indeed the briefs opposing laches in *Petrella* repeatedly emphasized this point to show that "laches is unnecessary to protect

copyright defendants" from undue delay.[29] And it is true: proof of copying generally requires either direct evidence of the copying act or a showing of access and substantial similarity to the copyrighted work. *See, e.g., Sid & Marty Krofft Television Prods., Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1162 (9th Cir. 1977). A tardy plaintiff may be hard-pressed to obtain that evidence of direct copying or access to the original work.[30]

In contrast, copying "is of no import on the question of whether the claims of an issued patent are infringed." *Allen Eng'g Corp. v. Bartell Indus., Inc.*, 299 F.3d 1336, 1351 (Fed. Cir. 2002).[31] Indeed, from the patent owner's perspective, the facts needed to maintain an infringement action can be found within the four corners of a patent on file with the United States Patent and Trademark Office, along with evidence from the alleged infringer showing

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[29] Brief for Petitioner at 54, *Petrella*, 134 S. Ct. 1962 (Nov. 15, 2013) (No. 12-1315); *see also* Brief of Amicus Curiae the California Society of Entertainment Lawyers in Support of Petitioner at 10–11, *Petrella*, 134 S. Ct. 1962 (Nov. 21, 2013) (No. 12-1315).

[30] *Cf. Art Attacks Ink, LLC v. MGA Entm't Inc.*, 581 F.3d 1138, 1143–45 (9th Cir. 2009) (discussing level of evidence needed to prove access); 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 13.01[B] (2016) (element of "copying" includes "the factual question [of] whether the defendant, in creating its work, used the plaintiff's material as a model, template, or even inspiration.").

[31] Actual copying is potentially relevant to enhancement of damages under 35 U.S.C. § 284. *See Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1929 (2016) (citing *Topliff v. Topliff*, 145 U.S. 156, 174 (1892)). But allegations of copying are very rare in patent litigation. *See* Christopher A. Cotropia & Mark A. Lemley, *Copying in Patent Law*, 87 N.C. L. Rev. 1421, 1443, 1452 (2009) (finding that of cases examined in dataset, only 10.9% of cases included an allegation of copying, and only 1.76% of cases had an established case of copying).

each element of the patent claim at issue. While a copyright owner might have to look to decades-old evidence of an initial act of copying, the patent owner need go no further than buying the accused product at a store and comparing it to the patent.[32]

2. Patent owners do on occasion rely on evidence of so-called "secondary factors" to rebut an obviousness contention. Those factors include "commercial success, long felt but unsolved needs, failure of others," and the like, and tend to show that a patented invention was not obvious to those of skill in the art at the time of the invention. *Graham*, 383 U.S. at 17–18; *see Mintz v. Dietz & Watson, Inc.*, 679 F.3d 1372, 1378 (Fed. Cir. 2012).

Evidence of secondary considerations might seem to be sensitive to time delay, but this evidence of validity is far less sensitive to time than evidence of invalidity. For one thing, many of these secondary considerations, like industry praise, commercial success, and copying by others, occur *after* the time of the invention, as opposed to invalidating prior art which by definition must be created *before* that time. That differential in time means that evidence rebutting invalidity will less likely be lost than evidence favoring invalidity.

Also, the patent owner has the advantage of knowing in advance what evidence to seek out and preserve to prove these secondary considerations. The patentee who delays bringing suit can spend the years of delay gathering evidence of secondary considerations; by contrast, the accused infringer generally is ignorant to what patents

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[32]To the extent that the patent owner needs proof of past infringement, 35 U.S.C. § 286 limits the necessary look-back period to six years.

may be asserted in the future and thus cannot preemptively gather evidence of invalidity. The end result, when the lawsuit is filed after long delay, is a case that tilts only farther from a full and fair hearing, and only farther from the necessary task of ensuring that the public is burdened only by valid patents.

And in any event, multiple empirical studies confirm that "secondary considerations play a very insignificant role in nonobviousness jurisprudence." Christopher A. Cotropia, *Nonobviousness and the Federal Circuit: An Empirical Analysis of Recent Case Law*, 82 Notre Dame L. Rev. 911, 946 (2007); Gregory N. Mandel, *Patently Non-Obvious: Empirical Demonstration that the Hindsight Bias Renders Patent Decisions Irrational*, 67 Ohio St. L.J. 1391, 1423 (2006) (secondary considerations relevant to obviousness determination in "only one to two percent of reported cases" considered). Comparing loss of evidence of secondary considerations to loss of evidence of overall invalidity as a practical matter, then, it cannot at all be said that plaintiffs are "at least as likely" to be harmed as defendants, as was found in *Petrella*.

Thus, while a delay in suit may be "at least as likely" to harm plaintiffs as defendants in copyright cases, the balance of evidentiary prejudice is very different under the Patent Act. The substantial differences in the causes of action and defenses condone, even demand, a substantial difference in the application of the doctrine of laches.

III. Section 286 Does Not Deter Evidentiary Delay

The six-year look-behind period for damages provided in 35 U.S.C. § 286 is inadequate to deter the prejudice that

would result from a patent owner's delay in bringing suit, and instead may actually *encourage* delay.

Six years of past damages can be substantial. For example, in *Carnegie-Mellon University v. Marvell Technology Group*, a patent owner learned of a manufacturer that was possibly infringing, but then waited five years and eleven months—one month shy of the § 286 limit—to bring suit. *See* No. 09-CV-290, 2014 WL 183212, at *19 (W.D. Penn. Jan. 14, 2014). The district court found that the delay period had caused real prejudice to the manufacturer: lab notebooks and emails of key witnesses had been lost, evidence that "may have been relevant to [the manufacturer]'s invalidity defenses." *See id.* at *32. Unclean hands[33] prevented the manufacturer from using the defense of laches, though, meaning that the patent owner was awarded damages for the full five year, eleven month period, an award of $1.45 billion.[34]

Carnegie-Mellon exemplifies conventional wisdom: six years of patent damages is no small amount, and yet six years is plenty of time to cause evidentiary prejudice. The § 286 limitation thus will not deter patent owners from delaying and causing harms to the patent system.

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[33]Specifically, the district court found that the manufacturer had engaged in copying the patented technology. *See id.* at *37. This is a unique and unusual situation, as copying is very rare in patent cases. *See* note 31 *supra* p. 26. While the manufacturer in *Carnegie-Mellon* thus was on notice of the patent and thus could have avoided prejudice, most accused infringers will be unaware of the patent and thus unable to adequately protect against evidentiary prejudice. *See* discussion *supra* p. 27.

[34]The Federal Circuit reduced this amount to $278 million and ordered a new trial on the balance, based on an unrelated issue of extraterritoriality. *See Carnegie-Mellon Univ. v. Marvell Tech. Group*, 807 F.3d 1283, 1302 (Fed. Cir. 2015).

By waiting until the end of patent terms, patent owners may be able to maximize potential damages as well as maximize the chances that evidence relating to the important defense of invalidity will be lost. But patent law has never prioritized patent holders' interests over the interests of the general public in granting patents only where truly deserved and only to the extent necessary to encourage disclosure and creation of new inventions. *See, e.g.*, *Kendall v. Winsor*, 62 U.S. 322, 327–28 (1858) ("It is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage; the benefit to the public or community at large was another and doubtless the primary object in granting and securing that monopoly.").

Laches, especially when viewed within the broader goals of patent law, has an important role to play in encouraging patent owners to bring suits earlier, making it less likely that the mere passage of time allows an illegitimate monopoly. "[L]aches does not result from a mere lapse of time but from the fact that, during the lapse of time, changed circumstances inequitably work to the disadvantage or prejudice of another if the claim is now to be enforced." William Q. de Funiak, *Handbook of Modern Equity* § 24, at 41 (1956). As demonstrated, the "changed circumstances" caused by the passage of time result in evidentiary prejudice that not only prejudices defendant, but also the general public. Limiting damages to only six years prior to suit does not compensate for the fact that accused infringers may have to pay tribute to someone who did not, in fact, disclose any invention to the public.

CONCLUSION

For the foregoing reasons, this Court should affirm the Court of Appeals.

Respectfully submitted,

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Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG, *et al.*,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF THE INTELLECTUAL PROPERTY LAW ASSOCIATION OF CHICAGO AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

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QUESTION PRESENTED

Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.

INTERESTS OF *AMICUS CURIAE*

The Intellectual Property Law Association of Chicago ("IPLAC") submits this brief as *amicus curiae* in support of neither party.[1,2,3,4] Founded in

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[1] Pursuant to Supreme Court Rule 37.6, no counsel for a party authored this brief in whole or in any part, no such counsel or a party made a monetary contribution intended to fund the preparation or submission of this brief, and no person other than *amicus curiae*, its members, or its counsel, made such a monetary contribution.

[2] In addition to the required statement of footnote 1, IPLAC adds that after reasonable investigation, IPLAC believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than IPLAC, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

[3] Pursuant to Supreme Court Rule 37.3, Petitioners' counsel of record consented to the filing of this brief by filing a blanket consent with the Clerk. Respondents'

1884, the Intellectual Property Law Association of Chicago is a voluntary bar association of over 1,000 members who focus on the areas of patents, trademarks, copyrights, and trade secrets, and the legal issues they present. Located in Chicago, a principal locus and forum for the nation's authors, artists, inventors, scholarly pursuits, arts, creativity, research and development, innovation, patenting, and intellectual property litigation, IPLAC is the country's oldest bar association devoted exclusively to intellectual property matters. In litigation, IPLAC's members are split about equally between plaintiffs and defendants. Its members include attorneys in private and corporate practices, who appear before federal courts throughout the United States, as well as the U.S. Patent and Trademark Office and the U.S. Copyright Office. As part of its central objectives, IPLAC is dedicated to aiding in the development of intellectual property law, especially in the federal courts.

SUMMARY OF ARGUMENT

The equitable defense of laches in patent cases was articulated more than a century ago in *Lane & Bodley Co. v. Locke*, 150 U.S. 193, 201 (1893) ("Courts of equity, it has often been said, will not

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counsel of record individually consented to the filing of this brief.

[4] Although over 30 federal judges are honorary members of IPLAC, none of them was consulted or participated in any way regarding this brief.

assist one who has slept upon his rights, and shows no excuse for his laches in asserting them.").

Laches should remain a viable equitable defense against patent infringement claims, including within the six-year damages limitation period of 35 U.S.C. § 286. A decision upholding the patent law laches regime more recently articulated in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc), as modified by the Federal Circuit's *en banc* decision in this case, does not conflict with the Court's recent decision in *Petrella v. Metro-Goldwyn-Mayer*, 572 U.S. ___, 134 S. Ct. 1962 (2014).

In *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 807 F.3d 1311, 1331-32 (Fed. Cir. 2015) (en banc), the Federal Circuit adjusted the laches regime of *Aukerman* in patent cases to account for this Court's decision in *eBay v. MercExchange*, 547 U.S. 388 (2006), stating that equitable principles must be applied when considering the application of laches to bar injunctive relief. The regime as modified by *SCA Hygiene* will be referred to herein as the "*Aukerman* regime."

The *Aukerman* regime is based on a case-by-case analysis of the facts: if a defendant proves that a plaintiff has delayed filing suit for an unreasonable and inexcusable period from the time the plaintiff knew or reasonably should have known of its claim against defendant, and the delay has operated to the prejudice or injury of the defendant, the defendant may be entitled to a bar to pre-suit damages.

Although *Aukerman* has been interpreted to contain a *per se* bar to equitable relief, the Federal Circuit reversed this rule in its *en banc* decision in *SCA Hygiene*, which appropriately parallels the shift from a *de facto* rule favoring injunctions in patent infringement cases to the current four-factor test of this Court's decision in *eBay, supra*.

Laches should remain a viable equitable defense in patent cases because patent law is distinct from copyright law at least because patent infringement is a continuing tort not subject to the "separate accrual" rule that underpins the *Petrella* decision. Also, the copyright statute of limitations, which bars entire claims, stands in contrast to 35 U.S.C. § 286, which only presents a limitation on pre-suit damages in patent cases, not a statute of limitations to bar entire claims. The *Aukerman* regime follows rather than conflicts with *Petrella* in that it distinguishes laches from equitable estoppel and assigns different consequences to each.

In addition, the Court should endorse the equitable defense of laches in patent cases because maintaining this defense best protects the interests of patent owners, accused infringers, and the public. The *Aukerman* regime protects patent owners by allowing for post-filing and prospective legal relief absent other factors such as equitable estoppel. It protects accused infringers – a category which includes every type of entity that makes, uses, offers to sell, sells, or imports goods or services in the U.S. – by providing repose in appropriate circumstances of unreasonable and inexcusable delay. It protects the public interest by preventing a chilling effect on

commercialization of new technologies, which would occur if the Court abrogates the laches defense.

IPLAC brings to the Court's attention real-world experiences of patent owners and accused infringers. These experiences show that the *Aukerman* regime appropriately balances the interests of all stakeholders in the patent system. IPLAC hopes that the Court will consider these experiences and provide certainty in the current system rather than instability through unnecessary change of decades old precedent.

ARGUMENT

I. *PETRELLA* SHOULD NOT CONTROL THE OUTCOME OF THIS CASE BECAUSE PATENT LAW IS DIFFERENT FROM COPYRIGHT LAW

The Court's decision in *Petrella* should not control the outcome of this case. Rather, distinctions between patent law and copyright law render *Petrella* inapposite and weigh in favor of maintaining laches as an equitable defense to a claim of patent infringement even within the six-year damages limitation period of 35 U.S.C. § 286. *See Aukerman*, 960 F.2d at 1028. Specifically, the nature of patent infringement as a tort differs from that of copyright infringement; the patent statute's damages limitation differs from the copyright statute of limitations; and the proper application of laches in patent cases differs from the application of laches this Court reversed in *Petrella*.

A. Patent Infringement and Copyright Infringement Are Distinguishable as Torts.

While patents and copyrights are two forms of intellectual property, the respective statutory approaches to remedies for infringement are materially different. Two important differences between them militate against applying *Petrella* in this case. First, *Petrella* is inapposite because patent infringement is a continuing tort and therefore not subject to the "separate accrual" rule on which *Petrella* is based. Second, patent infringement can occur where the infringer has no notice of the patent, but *Petrella* relies in part on the requirement in copyright infringement suits to prove access to the copyrighted work and copying. Neither is required to prove patent infringement.

1. Patent Infringement Is a Continuing Tort and Is Not Subject to the "Separate Accrual" Rule on Which *Petrella* Is Based.

Petrella is inapposite to this case because patent infringement is not subject to the separate-accrual rule that attends copyright infringement. Rather, patent infringement is a continuing tort. *See Lane & Bodley*, 150 U.S. 193 (1893). Although *Lane & Bodley* was decided before the enactment of the six-year damages limitation in the patent statute, now codified in 35 U.S.C. § 286, that decision applying laches implicitly recognized the continuing nature of patent infringement, a finding that remains true today. *See Aukerman*, 960 F.2d at 1031 ("[L]aches has been viewed as a single defense to a continuing

tort up to the time of suit, not a series of individual defenses which must be proved as to each act of infringement, at least with respect to infringing acts of the same nature.").

In *Petrella*, the Court recognized that "the separate-accrual rule attends the copyright statute of limitations." 134 S. Ct. at 1969, n. 5; *id.* at 1979 (Breyer, J., dissenting) ("The 3-year limitations period under the Copyright Act may seem brief, but it is not. This is because it is a rolling limitations period, which restarts upon each 'separate accrual' of a claim.") (citation omitted). The Court expressly relied on the separate accrual rule in reversing the Ninth Circuit. *Id.* at 1973 ("Only by disregarding that feature of the statute, and the separate accrual rule attending §507(b) could the Court of Appeals presume that infringing acts occurring before January 6, 2006 bar all relief, monetary and injunctive, for infringement occurring on and after that date.") (citation omitted); *id.* at 1976 (Breyer, J., dissenting) ("Section 507(b)'s three-year limitations period, however, *coupled to the separate-accrual rule* avoids such litigation profusion.") (emphasis added).

Unlike copyright infringement, patent infringement is a continuing tort. *Lane & Bodley,* 150 U.S. at 200-201; *Aukerman*, 960 F.2d at 1031 (describing patent infringement as a continuing tort). In *Aukerman*, the Federal Circuit recognized that this Court has treated patent infringement as a continuing tort for over a century, citing *Lane & Bodley*, 150 U.S. 193 (applying laches in patent

infringement context, although preceding the 1897 passage of a six-year damages limitation statute).

The patent statute's time limitation on damages, 35 U.S.C. § 286, is entitled just that – "Time Limitation on Damages" – and implicitly recognizes the continuing nature of patent infringement. It is not a statute of limitations; it limits damages rather than barring entire claims (no bar is mentioned regarding equitable relief and post-filing damages). The patent statute contemplates a single act of infringement that may last longer than six years and sets a ceiling on the timeframe for recovery Thus, the inapplicability of the separate-accrual rule and the difference in the patent statute damages limitation distinguish *Petrella* from this case and necessitate a different outcome.

2. Patent Infringement Does Not Require Knowledge of the Patent; Copyright Infringement Requires Not Only Knowledge of the Copyrighted Work (Access), But Also Proof of Copying.

Petrella is also inapposite to this case because patent infringement is a strict-liability tort and may occur without any notice of the patent. *Commil USA, LLC v. Cisco Systems, Inc.*, 575 U.S. ___, 135 S. Ct. 1920, 1926 (2015). However, copyright infringement is an intentional tort requiring that alleged infringers "actually copied" the work. *See, e.g., Jorgensen v. Epic/Sony Records*, 351 F.3d 46, 51 (2d Cir. 2003). Further, the scope of protection provided by a patent may be unclear, creating room for different good faith interpretations by courts and

the parties, whereas the scope of copyright protection is largely self-evident. *See Petrella*, 134 S. Ct. at 1977.

Typical copyright infringers *know* they are infringing, but typical patent infringers do not have such knowledge.[5] Moreover, copyright infringers may protect their investments by gathering evidence of independent creation or by offsetting costs associated with exploiting the protected work. Thus, the risk of chilling innocent activity was infinitesimal in *Petrella*.

Conversely, businesses accused of patent infringement may have innocently invested huge sums in independent creation of a product or process, but evidence of such independent creation generally will not avoid liability unless the independent creation was prior to the patented invention. *See* 35 U.S.C. § 102(a). The end result is that an unreasonable patent owner, unlike a copyright owner, can place a patent on a shelf and watch a new industry or technology grow and thrive in the marketplace. Then, after potentially significant investments by industry members and technology users, the patent owner can choose to assert the patent against one or more members or users, or the entire industry or technology group. Without the defense of laches, there is no remedy for

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[5] Although copying may be implicated in patent infringement cases in the context of willful infringement, *see Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 579 U.S. ___, 195 L. Ed. 2d 278 (2016), copying is not a required element of patent infringement.

the unreasonable and inexcusable delay in filing such patent cases, just a point when six years of past damages under § 286 may provide the highest reward to the patent owner. For example, a patent owner's unreasonable and inexcusable delay may deprive industry entrants of the opportunity to review the patent at an early stage and decide whether to develop other innovative technology to avoid the patent claim or obtain a license to practice the patented technology.

Thus, applying *Petrella* in this appeal would create substantial risks of chilling innocent activity because the equitable defense of laches in patent cases protects businesses that act under the belief their activity is innocent or believe patent rights will not be asserted unreasonably against them. *See infra* Section II(A)(3).

Patent infringement is a different kind of tort from copyright infringement. The logic this Court applied to an intentional, separately-accruing tort in *Petrella* does not apply to the continuing, strict-liability tort of patent infringement.

B. The Patent Damages Limitation Statute Is Distinguishable from the Statute of Limitations in Copyright Law.

Not only are patent infringement and copyright infringement qualitatively different torts, they are also governed by qualitatively different statutes: a damages limitation statute in patent law, and a statute of limitations – a complete time bar to a claim – in copyright law. The Court relied on the

specific copyright statutory scheme in deciding *Petrella*. The differences between the patent statute and the copyright statute is another reason *Petrella* is inapposite to this appeal: the former contains a damages limitation statute unconcerned with when the claim accrues; the latter contains a statute of limitations that reflects congressional judgment regarding timeliness of asserting claims once they arise.

1. Section 286 Is a Damages Limitation Statute Only; It Is Not a Statute of Limitations as in *Petrella* Because It Does Not Necessarily Preclude a Suit in Equity or Prospective Damages.

The patent damages limitation statute does not bar actions. *See* 35 U.S.C. § 286. It does not say "no suit shall be maintained." It only provides that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." *Id.* Section 286 therefore stands in contrast to the copyright statute of limitations considered in *Petrella*, which bars entire claims. *See* 17 U.S.C. § 507(b) ("No civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued.").

Section 286 highlights the continuing nature of patent infringement as a tort. See section I(A)(1), *supra*. It contemplates that infringement may have started more than six years prior to suit and continues through the date of suit. If section 286

were akin to the copyright statute of limitations, such a suit would be barred entirely. But the patent statute allows the action to go forward, limiting only the amount of claimant's potential recovery (damages) to six years prior to suit.

Nor does the section 286 limitation on damages bar suits in equity. For example, patent owners may be able to seek injunctive relief to prevent future conduct even though infringement began more than six years ago. A copyright holder cannot seek such protection after the three-year copyright statute of limitations period has expired because the entire claim is extinguished under 17 U.S.C. § 507(b).

In *Petrella*, this Court held that the three-year copyright limitations period reflected "Congress' judgment on the timeliness of suit" and "itself takes account of delay." 134 S. Ct. at 1967, 1973. The Court stated that laches as applied in *Petrella* allowed district courts to make judgments about the timeliness of copyright suits, but Congress had already made that judgment in the copyright context. *Id.* at 1975. But the 6-year damages limitation of the patent statute is not about timeliness of suits. It does not account for delay in filing a patent suit after a claim arises.

For example, in a case where a patent owner discovers infringement on the first day after the patent issues and takes no action for any range of days or years short of six years after patent expiration, section 286 is silent in both language and effect as to whether an action may be maintained.

Under section 286, the action could be maintained, even for an expired patent.

Unlike § 507(b), section 286 does not begin a countdown to a loss of the right to bring suit from the time when "the claim accrued." *See* 35 U.S.C. § 286. It merely reflects Congress' judgment as to what past period of years is subject to any recovery in a suit that a patent owner can freely file whenever he/she so chooses. Thus, maintaining a laches defense in patent cases to address unreasonable, inexcusable delay in filing suit does not conflict with any congressional judgment regarding timeliness in patent suits.

In sum, the rationale underlying *Petrella* – that Congress' judgment should supersede the courts' – is not implicated in the present appeal because of the differences between the copyright statute of limitations and the patent statute's damages limitation.

C. Patent Laches Is Distinguishable from the Copyright Laches That the District Court Applied in *Petrella*.

Finally, the proper application of laches in patent law is different from the application of laches that was reversed by this Court for Ms. Petrella's claims. Patent laches avoids the concerns raised in *Petrella*, rendering that case inapposite for yet additional reasons.

1. The *Aukerman* Regime Only Bars Pre-Suit Damages, Avoiding the "Use It or Lose It" Concern Raised in *Petrella*.

In *Petrella*, the district court dismissed the entire case on grounds of laches. 134 S. Ct. at 1978. By contrast, *Aukerman* teaches that patent laches may bar only pre-suit damages, allowing for equitable relief, post-filing relief and prospective legal relief in appropriate cases. 960 F.2d at 1028 (contrasting laches with equitable estoppel).

In *Petrella*, the Court sought to avoid a rule that copyright owners should "sue soon, or forever hold your peace." 134 S. Ct. at 1976. The *Aukerman* laches regime does not create such a rule. It does not require the patentee to hold his peace, except with respect to pre-suit damages, and only if laches is established. *Aukerman*, 960 F.2d at 1028. The Court's concern in *Petrella* that laches places too high a burden on rights-holders is therefore unfounded in patent cases.

2. The *Aukerman* Regime Preserves the Act/Omission Distinction of *Petrella* Which Distinguishes Between Laches (Which Bars Pre-Suit Damages) and Estoppel (Which Bars Whole Claims).

Another guiding principle of *Petrella* is that deleterious omissions of the rights-holder should not be punished as severely as harmful actions. 134 S. Ct. at 1977. The Court distinguished laches as a defense based on the failure of the rights-holder to

act, from equitable estoppel that is premised on the intentionally misleading acts of the rights-holder.

This distinction has long been a feature of patent law under *Aukerman*. Under the *Aukerman* regime, typically laches bars only pre-suit damages. 960 F.2d at 1028.[6] Although *Aukerman* has been interpreted to contain a *per se* bar on equitable relief, the Federal Circuit repudiated a *per se* rule in its *SCA Hygiene en banc* decision, which modifies *Aukerman* on this point. This shift appropriately parallels the shift from a *de facto* rule favoring injunctions in patent infringement cases to the current four-factor test of this Court's *eBay* decision.

Conversely, when a defendant establishes equitable estoppel, "the patentee's claim may be entirely barred." *Aukerman*, 960 F.2d at 1028. Thus, the Court may preserve the act-omission distinction raised in *Petrella* without disturbing the *Aukerman* regime.

In sum, *Petrella* should not control the instant case because it interprets law that is fundamentally different from the patent law implicated here. Patent infringement is a different kind of tort from copyright infringement; the torts are governed by

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[6] Laches could result in a *de facto* total bar to a patent infringement claim in cases where a patent owner has unreasonably and inexcusably delayed filing suit until after the patent term has expired. In those cases laches would be a potential bar to pre-suit damages, and no injunction or post-suit damages would be available because the patent had already expired.

different statutory schemes; and the *Aukerman* regime does not implicate the same concerns as the copyright rule of law from the Ninth Circuit that the Court rejected in *Petrella*.

II. LACHES AS APPLIED IN PATENT CASES UNDER THE *AUKERMAN* REGIME APPROPRIATELY BALANCES THE INTERESTS OF ALL STAKEHOLDERS IN THE PATENT SYSTEM

Maintaining the defense of laches in patent law does not conflict with *Petrella* or usurp congressional judgment. Accordingly, the Court is free to derive the appropriate application of laches in patent law. But the Court need not create a standard *ex nihilo*. Rather, the Court should endorse the equitable defense of laches under its own precedent and as applied in patent cases under the *Aukerman* regime. *See Lane & Bodley*, 150 U.S. 193; *accord Menendez v. Holt*, 128 U.S. 514 (1888) (treating trademark infringement as a continuing tort).

The *Aukerman* regime appropriately balances the interests of reasonable patent owners, accused infringers, and the public. Endorsing the *Aukerman* regime would provide certainty to reasonable patent owners with respect to how they can protect their patent rights. It also would provide needed repose to accused infringers in the face of unreasonable and inexcusable delay. Maintaining laches as a defense to patent infringement, even given the six-year damages limitation of § 286, also would protect the public interest by promoting technological and

scientific development in U.S. industries that might otherwise be chilled.

A. Accused Infringers Need Repose.

The Court should maintain laches as an equitable defense in patent cases because manufacturers, distributors, sellers, importers and end users of new technologies need the repose laches provides in the face of unreasonable and inexcusable delay. The class of accused infringers is very broad, comprising almost every economic actor in the stream of commerce. Many of these accused infringers receive and must respond to dozens of so-called "demand letters" alleging patent infringement each year. Having investigated and responded to allegations of infringement, entities accused of infringement should be entitled to a timely response from the patent owner or, failing such a response, to the repose the equitable defense of laches provides in patent cases.[7]

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[7] The problem of unreasonable patent owners making unfounded accusations of infringement and not following with infringement suits is widespread and well known. It was notorious even as far back as the late 1890s. *See* IPLAC (under previous name the "Patent Law Association of Chicago")'s Journal of Proceedings 1884-1900, at "Paper Read by Mr. Charles E. Pickard, November 11, 1899, on Threatening Circulars in Patent Cases," pages 311-319, available at https://babel.hathitrust.org/cgi/pt?id=mdp.35112104983228;view=1up;seq=7.

1. Any Entity That Makes, Uses, Offers To Sell, Sells or Imports a Product or Service, Including Those That Might Also Own Patents, Can Be Accused of Patent Infringement.

The class of accused infringers is much broader in patent law than in copyright law. Where copyright law generally proscribes only the activity of those who "copy" protected works, patent law's proscription against using, offering to sell, selling, and importing, in addition to making infringing products, brings a broad class of importers, distributors, end-users and customers, as well as manufacturers, within the scope of the patent statute. Moreover, because patents confer the right to exclude, not the right to practice the invention, even owners of patents covering the products being made or imported and/or methods being used can be accused of infringing other parties' patents.

Abrogating patent laches would affect the business practices of almost every entity that makes, uses, sells, offers to sell, imports, or (in some cases) exports a product or service, including those who own their own patents. Maintaining patent laches, conversely, protects the entire stream of commerce from unreasonable economic behavior. Accordingly, the Court should endorse the equitable defense of laches under the *Aukerman* regime.

2. Accused Infringers May Receive Dozens of Cease and Desist Letters Every Year; After Going Through the Time and Expense of Investigating the Claims and Underlying Patents, Accused Infringers Deserve Repose After Unreasonable Delay To Be Able To Invest in Their Businesses.

Accused infringers may receive dozens of letters threatening patent infringement every year. Investigating allegations in the letters can take up valuable time and resources that many accused infringers cannot afford. For example, a recent survey of small companies found "[t]he overwhelming majority of companies said that resolving the demand required founder time (73%) and distracted from the core business (89%); most experienced a financial impact as well (63%)." Colleen Chien, *Startups and Patent Trolls*, 17 STAN. TECH. L. REV. 461, 472 (2014). Once an accused infringer has invested those resources and responded to a demand letter, the accused infringer should be entitled to a reasonably timely response from the patent owner. And after a reasonable period of silence, that entity should be entitled to the repose that laches offers.

Businesses need the potential repose laches provides in order to invest in their businesses. For example, Company X[8] openly used encryption

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[8] IPLAC represents that this example is derived from a real-world example.

software to protect information on its website. X wrote on its website that it was using the encryption technology. Seven years later, Company Y sued Company X for patent infringement by its use of the encryption technology. Company Y's accusation was the first notice Company X received of the patent although the patent had already expired. Company X relied on laches as a defense to pre-suit damages, including with respect to the preceding six years. Company X made investments in its business and relied on the notoriety of those investments to alert potential patent-holders. Abrogating laches would expose Company X to liability although it acted innocently and responsibly, and it would reward the unreasonable patent holder who knew or should have known of the infringement from a diligent review of potentially infringing products or services but kept silent as to its rights during a substantial portion or even all of the patent term.

3. The Chilling Effect of Doing Away with Laches Would Harm the Public Interest Because It Would Discourage Investment in New Technologies.

In addition to the interests of patentees and accused infringers, the public interest is also best served by maintaining the *Aukerman* laches regime. The public benefits from the wide availability of new technologies. Bringing these technologies to market requires investment. The risk of incurring liability discourages such investment. Even under the current system, many small companies do not do business in the United States because of the threat of patent litigation. Chien, *supra* at 477 Abrogating

the equitable defense of laches would discourage investment in new technologies and consequently deprive the public of innovative products and services.

Another real-world example involves a Retailer A.[9] Although no infringement suit has ever been threatened or filed against it, many of its competitors who use certain website technology have been in patent lawsuits over the technology for several years, with many suits filed many months or even years after competitors began using the technology. Retailer A would like to invest in the latest website technology, but it was so concerned with a potential patent infringement suit, including a suit filed months or even years later, that it uses less robust technology. As a result, website costs are higher for Retailer A and its customers. In short, the public has been harmed.

By maintaining the equitable defense of laches and providing certainty as to how the defense should operate in patent cases, the Court has the opportunity to protect the interests of both patent owners and businesses that would like to invest in new technologies, which will benefit the public.

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[9] The names and types of companies and products/services have been changed in this example.

B. Patent Owners' and Potential Purchasers' Need for Certainty Does Not Require Abrogating the Laches Defense.

Maintaining the equitable defense of laches in patent law would not harm the interests of reasonable patent owners and potential purchasers of patents. Reasonable patentees have not suffered from the availability of the equitable defense of laches, but rather would suffer uncertainty from a new decision as to how laches will be applied. By endorsing the *Aukerman* regime, the Court can provide the certainty that reasonable patentees need in order to protect their investments. As the Court itself has stated, "[o]verruling precedent is never a small matter. *Stare decisis* . . is 'a foundation stone of the rule of law.'" *Kimble v. Marvel Entertainment, LLC*, 576 U.S. ___, 135 S. Ct. 2401, ___ (2015).

The Court should encourage early and robust communication between all patentees and accused infringers. Therefore, Amicus IPLAC respectfully submits that the *Aukerman* regime provides guidance to patentees and potential purchasers of patents need to reduce transaction costs in the enforcement of patent rights and best serve the constitutional mandate to promote progress in the technical arts.

1. The Court Can Prevent Forum Shopping by Giving Clear Guidance That Applies Nationally.

The national jurisdiction of this Court reduces the risk of forum-shopping that the Court sought to eliminate in *Petrella*. *See Petrella*, 134 S. Ct. at 1969. In *Petrella*, the Court recognized that one of the policies underpinning the copyright statute of limitations is to set a uniform national standard for the timeliness of infringement claims. *Id.* By giving clear guidance in this case, the Court can accomplish the same goal. Furthermore, because the Federal Circuit Court of Appeals also has exclusive appellate jurisdiction over patent cases, there is no risk that patent laches will be interpreted differently by different courts of appeals. The structure of the court system ensures the national uniformity this Court sought to ensure in *Petrella*. Accordingly, the Court can recommit laches to the sound discretion of the district courts under the guidance of the Federal Circuit without fear that divergent laches regimes will arise in different circuits as the law continues to develop.

2. Patent Owners and Purchasers Can Obtain Certainty from a Clear Understanding of How Laches Operates.

A clear statement by the Supreme Court that laches remains a valid equitable defense in patent cases and endorsing the *Aukerman* regime will provide patentees and potential purchasers of patents with the certainty they need to protect investments in intellectual property. Patent laches

does not unduly burden patent owners because they can simply and inexpensively avoid application of a laches defense by diligently giving notice to accused infringers and filing suit as necessary.

Patentees best protect themselves against laches by exercising diligence and communicating early and often with accused infringers. A demand letter should be the beginning of a conversation between the patentee and the alleged infringer, not a salvo that causes unnecessary expense and ignores legitimate responses. If circumstances arise such that the patentee wants to delay suit, the patentee need only say as much with reasonable frequency and provide its reasons for the delay. Such communications shift the onus to the accused infringers to develop a product or service that avoids the asserted patent, accept the risk of being sued, or bring a declaratory judgment action within a reasonable time.

Similarly, purchasers of patents can continue to protect themselves by investigating any communications between the original patent owner and alleged infringers. Laches, once it arises, cannot be avoided by assignment of the patent. *Eastman Kodak Co. v. Goodyear Tire & Rubber Co.*, 114 F.3d 1547, 1559 (Fed. Cir. 1997) (citing 5 Donald S. Chisum, Patents § 19.05(2)(a)(ii)(1995)). Accordingly, purchasers of patents will be more likely to exercise diligence in determining whether a laches defense might apply to patents they are interested in purchasing. It is not uncommon practice today for a diligent purchaser of patents to investigate the history of the patents in advance of

the purchase, so this should not add any new burden. By clearly delineating the laches defense in patent cases, this Court will also encourage patent owners to maintain records of correspondence, which will help avoid laches in the first instance.

This policy of encouraging communication serves the constitutional mandate to promote progress in the technical arts. Robust patent rights help spur innovation, in part, by encouraging businesses to design around patented inventions. But often businesses lack notice of the patents they may be infringing. This failure of information defeats the policy underlying the patent statute because the potential infringer is more likely to invent something similar to a patented invention than if he sets out to invent around a pre-existing invention.

Conversely. abrogating laches would encourage some unreasonable patentees to wait until competitors are locked into potentially infringing technologies for many years in order to extract the most lucrative damages awards or license agreements. Accordingly, the Court should encourage all patentees to engage potential infringers as early as possible in a dialogue about the scope of patent rights. Endorsing the *Aukerman* regime will serve that goal.

III. CONCLUSION

Laches is a beneficial component of patent jurisprudence, and it should not be eliminated. The laches jurisprudence of *Aukerman*, as modified by the *en banc* decision of the Federal Circuit in this

case, strikes an appropriate balance between the needs of patent owners and those of potential infringers and serves the public interest. Important differences between the copyright and patent systems make *Petrella* inapposite; *Petrella* provides no reason for the Supreme Court to disturb decades-old precedents regarding the equitable defense of laches in patent cases, which promotes commercialization of new technology in the United States.

Respectfully submitted,

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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG and SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC. and FIRST QUALITY RETAIL SERVICES, LLC,

Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF INTELLECTUAL PROPERTY OWNERS ASSOCIATION AS *AMICUS CURIAE* IN SUPPORT OF NEITHER PARTY

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[1] No party's counsel authored this brief in whole or part; no party or party's counsel contributed money intended to fund preparing or submitting the brief; and no person other than *amicus*, its members, or counsel contributed money intended to fund preparing or submitting the brief. Counsel for all parties have consented to the filing of this brief.

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SUMMARY OF THE ARGUMENT

I. Almost 25 years ago, the *en banc* Federal Circuit analyzed the text and history of 35 U.S.C. § 286, as enacted by the Patent Act of 1952, and held that the equitable doctrine of laches could bar a claim for damages based on patent infringement occurring within the six-year period established by section 286. *See A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1031 (Fed. Cir. 1992) (*en banc*). In this case, the Federal Circuit reaffirmed that holding, again *en banc*. This Court, too, should affirm.

First, this Court's holding, in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), that laches could not bar a claim for damages based on copyright infringement, does not control this case, because the patent and copyright statutes are meaningfully different. *Petrella* turned on the existence of a comprehensive statute of limitations for copyright infringement. *See* 17 U.S.C. § 507(b). This case, however, involves a very different statutory provision contained in the Patent Act, 35 U.S.C. § 286, which does not impose a statute of limitations on patent cases. Section 507(b) of the Copyright Act was a congressional pronouncement that defined the timeliness of all claims for copyright infringement, leaving no room for equity to fill gaps via laches. The same cannot be said, however, of the six-year damages limit in section 286 of the Patent Act, which, unaccompanied by the gap-filling work of laches, would leave patent law entirely bereft of a limitation on stale claims.

Second, the legislative history of the 1952 Patent Act establishes Congress's intention that laches remain a bar to claims of patent infringement.

Federal courts had long applied laches in patent-infringement cases when Congress recodified the six-year provision in section 286 without substantial change. Moreover, a commentary on the 1952 Patent Act written by one of the Act's drafters, P.J. Federico, explicitly contemplates that laches would continue to be a defense to patent-infringement actions.

Third, basic considerations of fairness, which are magnified in the patent context as compared to copyright cases, require that laches remain a viable defense to bar stale patent-infringement claims. Without laches, defendants could in good faith build entire businesses during a patentee's lengthy delay, only to lose everything in an unreasonably belated infringement suit.

II. Laches applies not only to bar a claim for damages incurred prior to suit, but it should also be available to bar a claim for injunctive relief, or an entire suit. This conclusion is compelled by prior decisions of this Court, such as *Lane & Bodley Co. v. Locke*, 150 U.S. 193 (1893), and *Petrella*, 134 S. Ct. 1962. Indeed, it would be incongruous with these cases if an equitable defense such as laches could not bar, in appropriate cases, equitable relief. Moreover, in light of those equitable roots, laches is a flexible doctrine committed to the discretion of district courts. Accordingly, in appropriate circumstances, judges may invoke the doctrine to bar damages, injunctions, or entire suits.

ARGUMENT

I. Laches should remain available to bar a claim for damages based on patent infringement occurring within the six-year damages period of 35 U.S.C. § 286.

The doctrine of laches is a "nonstatutory time bar[] to suit[] or to particular remedies," developed in English courts of equity. 6A Donald S. Chisum, *Chisum on Patents* § 19.05 (Matthew Bender 2014). "In early English practice, most actions 'at law' for monetary damages fell under express statutes of limitations stating a set number of years for filing suit after a cause of action arose." *Id.* By contrast, equitable suits "for remedies such as an injunction, specific performance, or rescission did not fall under such statutes." *Id.* Nevertheless, "on policy grounds, equity declined to afford relief on 'stale demands.'" *Id.*

U.S. courts have long incorporated this doctrine. *See generally* 27A Am. Jur. 2d *Equity* (2d ed. 2015); 2 John Norton Pomeroy, *A Treatise on Equity as Administered in the United States of America* §§ 418-419 (5th ed. 1941); 3 William C. Robinson, *The Law of Patents for Useful Inventions* § 1114 (1890). As this Court noted in 1893, courts of equity would "not assist one who [had] slept upon his rights, and show[ed] no excuse for his laches in asserting them." *Lane & Bodley Co.*, 150 U.S. at 201. As in England, the principle was "based upon grounds of public policy, which require for the peace of society the discouragement of stale demands." *Mackall v. Casilear*, 137 U.S. 556, 566 (1890).

Today, consistent with its historical roots, the laches defense requires "proof of (1) lack of diligence by the party against whom the defense is asserted, and

(2) prejudice to the party asserting the defense." *Nat'l R.R. Passenger Corp. v. Morgan*, 536 U.S. 101, 122 (2002) (internal quotation marks omitted). When successful, laches "bars a plaintiff from maintaining a suit." *Id.* at 121.

Over one hundred years ago, laches branched out from equity and into the law. The doctrine was "adopted by common law courts and, following the merger of law and equity, became part of the general body of rules governing relief in the federal court system." *Envtl. Def. Fund, Inc. v. Alexander*, 614 F.2d 474, 478 (5th Cir. 1980). More specifically, the Law and Equity Act of 1915, 38 Stat. 956, provided that equitable defenses could be raised in courts of law, without need for a separate bill of equity. *See Aukerman*, 960 F.2d at 1031; *see also* Walter Wheeler Cook, *Equitable Defenses*, 32 Yale L.J. 645, 646 (1923). Two decades later, the Federal Rules of Civil Procedure joined equitable and legal claims into a single civil action. *See* Fed. R. Civ. P 2 ("There is one form of action—the civil action."); *see also Aukerman*, 960 F.2d at 1031. Today, those same Rules explicitly state that in response to a civil action, laches may be interposed as a defense.[3] *See* Fed. R. Civ. P 8(c)(1) ("In responding to a pleading, a party must affirmatively state any avoidance or affirmative defense, including ... laches....."). Given the merger of

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[3] Laches is not the only equitable defense that has migrated from equity to general application. For example, Rule 8 recognizes estoppel as a defense to legal claims, as does the Supreme Court. Fed. R. Civ. P 8(c)(1) (listing "estoppel" as an additional "avoidance or affirmative defense" to a civil action); *Petrella*, 134 S. Ct. at 1977 ("[E]stoppel may bar the copyright owner's claims completely.")

law and equity, courts "must give the relief to which the parties are entitled on the facts, applying the rules of both law and equity as a single body of principles and precedents." 4 Wright & Miller, Federal Practice & Procedure § 1041 (3d ed. 2014); *see also id.* § 1043 ("[T]he merger of law and equity and the abolition of the forms of action furnish a single uniform procedure by which a litigant may present his claim in an orderly manner to a court empowered to award whatever relief is appropriate and just.").

In the patent-infringement context, this Court's pre-merger cases recognized that laches could bar claims for equitable relief. *See Lane & Bodley Co.*, 150 U.S. at 201; *Leggett v. Standard Oil Co.*, 149 U.S. 287, 294 (1893); *Wollensak v. Reiher*, 115 U.S. 96, 99 (1885); *Mahn v. Harwood*, 112 U.S. 354, 363 (1884). As equity began to merge with law, lower courts recognized that laches could also bar legal claims. *See, e.g., Banker v. Ford Motor Co.*, 69 F.2d 665, 666 (3d Cir. 1934). The Federal Circuit's 1992 decision in *Aukerman* was of a piece, holding that laches could bar claims for damages incurred prior to suit in patent-infringement cases.

As the Federal Circuit here properly recognized, that holding of *Auckerman* remains good law. In *Petrella*, this Court held that laches could not bar claims for *copyright* damages. Petitioners here suggest that any different result for patent cases reflects an impermissible "patent law exceptionalism." Pet. 20-21. However, the different results follow directly from fundamentally different statutory schemes: the statutory structure of the Copyright Act contains an express statute of limitations, whereas the Patent Act does not, thereby demonstrating that

laches remains necessary to prevent litigation of stale patent-infringement claims. Moreover, the legislative history of the Patent Act underscores the conclusion that laches is available as a bar to legal relief. Finally, practical considerations of fairness—the need to afford certainty to investors and protect their investments—weigh in favor of retaining laches as a bar to damage claims in patent-infringement suits.

A. *Petrella* jettisoned laches for copyright cases in light of the Copyright Act's statute of limitations; the Patent Act lacks such a statute of limitations.

In *Petrella*, this Court held that laches did not apply to claims for damages based on copyright infringement in light of the Copyright Act's three-year statute of limitations. 134 S. Ct. 1962. This case, by contrast, involves a claim for patent infringement, and the Patent Act lacks such a statute of limitations. Given these fundamental distinctions, *Petrella* does not require that the two very different statutes be read *in pari materia*. Rather, the differences between the two statutory regimes' approaches compel the conclusion that laches must be available as a defense in patent-infringement suits. Indeed, the language and logic of *Petrella* confirms the need for laches in patent cases.

In *Petrella*, this Court held that, "in face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief." 134 S. Ct. at 1974. The Court further explained that the Copyright Act "bars relief of any kind for conduct occurring prior to [a] three-year limitations period," and concluded that laches could not be invoked "to jettison Congress' judgment on the timeliness of suit." *Id.* at 1967. That holding was compelled by the statute of limitations

contained in the Copyright Act, which provides that "[n]o civil action shall be maintained under the provisions of this title unless it is commenced within three years after the claim accrued." 17 U.S.C. § 507(b). In short, the Copyright Act categorically bars *all* claims that are not timely commenced.

The Patent Act takes a very different approach. Section 286 reads: "Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." This provision merely restricts damages to the six-year period prior to the suit; it does not, as with 17 U.S.C. § 507(b), "ba[r] relief of any kind for conduct occurring prior to [the] limitations period." *Petrella*, 134 S. Ct. at 1967.

This Court's recent decision in *CTS Corp. v. Waldburger* is particularly instructive. There, the Court explained that, "[i]n the ordinary course, a statute of limitations creates 'a time limit for suing in a civil case, based on the date when the claim accrued.'" 134 S. Ct. 2175, 2182 (2014); *see also Lozano v. Montoya Alvarez*, 134 S. Ct. 1224, 1234 (2014) (citing *Heimeshoff v. Hartford Life & Accident Ins. Co.*, 134 S. Ct. 604, 610 (2013)); *Beach v. Ocwen Fed. Bank*, 523 U.S. 410, 416 (1998). Importantly, Section 286 does not bar actions; it merely restricts the duration for which damages can be recovered.

As a result, the holding and reasoning of *Petrella* do not affect the availability of laches in patent cases. In the Copyright Act, Congress, by enacting a specific bar on untimely claims, in effect occupied the field and left no room for laches to perform an equitable, gap-filling

role. By contrast, in the Patent Act, Congress left much room for laches to act.

This Court's decision in *Young v. United States*, 535 U.S. 43 (2002), does not require a different conclusion. *Young* involved provisions of the Bankruptcy Code that granted priority and nondischargeability rights to the IRS, but only regarding taxes owed on returns due in the three years prior to the filing of the bankruptcy petition. The Court held that the "three-year lookback period" in the Bankruptcy Code was a "limitations period subject to traditional principles of equitable tolling." *Id.* at 47. In so holding, the Court commented that "unlike most statutes of limitations, the lookback period bars only *some*, and not *all*, legal remedies for enforcing the claim (viz., priority and nondischargeability in bankruptcy)," but according to the Court, the lookback period was "a statute of limitations nonetheless." *Id.* at 47-48. *Young's* language cannot properly be stretched to suggest that section 286 is a statute of limitations that leaves no room for laches to operate. The Court's conclusion that sections 507(a)(8)(A)(i) and 523(a)(1)(A) of the Bankruptcy Code constitute a statute of limitations for purposes of equitable tolling does not require the conclusion that section 286 of the Patent Act is a statute of limitations for purposes of preempting laches, particularly in light of the weight of authority defining statutes of limitations as bars to suit.

Moreover, *Petrella* did not turn on superficial labels. Rather, it rested upon a careful examination of section 507(b), which expressly occupied the timeliness field and left no room for laches. Indeed, the Court explained that prior to 1957, the Copyright Act had lacked a statute of limitations, but in that year,

Congress "*filled the hole*" and prescribed a three-year limitations period "for all civil claims." 134 S. Ct. at 1968 (emphasis added). The Court thus deemed section 507(b) to be a "time-to-sue prescription," *id.* at 1978, reflecting "Congress' judgment on the timeliness of suit" and "*bar[ring] relief of any kind*," *id.* at 1967 (emphasis added). The Court thus concluded that the current copyright regime "leaves 'little place' for a doctrine that would further limit the timeliness of a copyright owner's suit." *Id.* at 1977. It is therefore clear that section 507(b) is an all-encompassing statute of limitations, and that fact fueled the Court's reasoning in *Petrella* that laches had no place as a copyright-infringement defense.

By contrast, section 286 of the Patent Act simply restricts damages to a six-year duration. Thus, under the Patent Act, there is still a hole to fill—and filling that statute-of-limitations void to barring stale claims is a vital function of laches. Whereas the Copyright Act's statute of limitations guarantees that following a final act of infringement, a potential accused copyright infringer will be entitled to repose after a period of three years, the Patent Act does not offer that same protection. Laches must step in to do that job.

The fact that the role for laches is different as between patent and copyright cases stems not from so-called "patent law exceptionalism," but from the fundamental textual and structural differences between the patent statutes and the copyright statutes. That makes this case fundamentally different from those for which the Federal Circuit has been reversed for creating special patent exceptions to rules of general application. *See, e.g., eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (no

presumption of irreparable harm for injunctions in patent cases); *MedImmune v. Genentech*, 549 U.S. 118 (2007) (no special patent rules for declaratory-judgment actions in patent cases). Moreover, while copyright and patent law might share a "historic kinship" as a general matter, the two arise from different statutory regimes located in titles 17 and 35, respectively, of the United States Code. And the basic textual and structural differences between the two regimes should be honored. *Mazer v. Stein*, 347 U.S. 201, 217-18 (1954); *Bobbs-Merrill Co. v. Straus*, 210 U.S. 339, 345-46 (1908) ("There are such wide differences between the right of multiplying and vending copies of a production protected by the copyright statute and the rights secured to an inventor under the patent statutes, that the cases which relate to the one subject are not altogether controlling as to the other."). While Congress "filled the hole" where laches might have operated in copyright cases, it has for over 100 years maintained a gap in the Patent Act where laches has properly served its important role.

B. Legislative history and historical practice demonstrate Congress's intent that laches remain available to bar a claim for damages.

In *Petrella*, this Court recognized that, in the Patent Act context, "[b]ased in part on [35 U.S.C. § 282] and commentary thereon, legislative history, and historical practice, the Federal Circuit has held that laches can bar damages incurred prior to the commencement of [a] suit." 134 S. Ct. at 1974 n.15. Indeed, historical practice, legislative history, and commentary on section 282 demonstrate that

notwithstanding section 286, laches has a vital role to play as a defense to patent infringement.

Canvassing relevant precedent against the legislative backdrop of the 1952 Patent Act, the Federal Circuit determined that "the case law strongly supports the availability of laches to bar legal relief. Section 282 codified whatever laches doctrine existed when Congress enacted the Patent Act in 1952. Although the development occurred over time, by 1952 nearly every circuit had approved of the proposition that laches could bar legal relief for patent infringement, and no court had held to the contrary." *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311, 1328 (Fed. Cir. 2015) (*en banc*). The court of appeals' conclusions were well grounded.

As *Aukerman* explained, "[f]or the brief time of 1870-1874, the patent statute contained an actual statute of limitations which required 'all actions for the infringement of patents shall be brought during the term for which letters patent shall be granted or extended, or within six years after the expiration thereof.'" 960 F.2d at 1030 n.8 (quoting 16 Stat. 206, § 55 (July 8, 1870)). That provision, however, was rather promptly abrogated. In 1897, a six-year recovery period was added, *see* 29 Stat. 692, 694, § 6 (1897),[4] and U.S. patent law has contained substantially the same provision ever since, *see Aukerman*, 960 F.2d at 1030 ("[T]he statutory

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[4] "But in any suit or action brought for the infringement of any patent there shall be no recovery of profits or damages for any infringement committed more than six years before the filing of the bill of complaint or the issuing of the writ in such suit or action, and this provision shall apply to existing causes of action."

language of section 286 was virtually identical to a predecessor provision under which laches was also recognized.").

With no statute of limitations contained in the Patent Act since 1874, federal courts quite sensibly turned to the equitable doctrine of laches to bar unreasonably delayed claims in appropriate cases. Thus, by the time that the patent laws were recodified in the 1952 Patent Act, federal courts in nearly every circuit had recognized that laches was a defense to a charge of patent infringement, notwithstanding the presence of the six-year recovery bar in the statute. *See Meyrowitz Mfg. Co. v. Eccleston*, 98 F 437, 439-40 (C.C.D. Mass. 1899); *Dwight & Lloyd Sintering Co. v. Greenawalt*, 27 F.2d 823, 827 (2d Cir. 1928); *Banker v. Ford Motor Co.*, 69 F.2d 665, 666 (3d Cir. 1934); *Hartford-Empire Co. v. Swindell Bros., Inc.*, 96 F.2d 227, 233 (4th Cir. 1938); *Ford v. Huff*, 296 F. 652, 657-58 (5th Cir. 1924); *France Mfg. Co. v. Jefferson Elec. Co.*, 106 F.2d 605, 609 (6th Cir. 1939); *Brennan v. Hawley Prods. Co.*, 182 F.2d 945, 948 (7th Cir. 1950); *Montgomery Ward & Co. v. Clair*, 123 F.2d 878, 883 (8th Cir. 1941); *Gillons v. Shell Co.*, 86 F.2d 600, 606 (9th Cir. 1936); *cf. Chicago Pneumatic Tool Co. v. Hughes Tool Co.*, 192 F.2d 620, 625 (10th Cir. 1951) (assuming the availability of laches but noting that "the plea of laches and estoppel finds no substantial basis in the record").[5] *See generally* 4 *Walker, on Patents* § 880B (Deller's ed. 1937).

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[5] In 1954, just two years after passage of the 1952 Act, the Tenth Circuit wrote, "On the question of laches, there are well-settled applicable rules of law. The rule is applicable in patent cases." *Potash Co. of Am. v. Int'l Minerals & Chem.*, 213 F.2d 153, 154 (10th Cir. 1954).

In 1952, when Congress recodified the patent laws and retained the six-year recovery period (but did not add a statute of limitations), it did so against this backdrop, in which the federal courts had uniformly embraced the availability of laches in patent cases. As this Court recently reiterated, "'[t]he stated purpose' of the 1952 revision 'was merely reorganization in language to clarify the statement of the statutes.'" *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1930 (2016). The uniform pre-1952 understanding of the U.S. Patent laws was that they allowed laches to bar claims in appropriate cases; the 1952 Act's reorganization for clarity should be read as continuing this understanding of the laws.

Accordingly, Congress's decision to continue the six-year recovery bar without change, and without the addition of a statute of limitations, reflects its acceptance of the role of laches as a defense to patent infringement. "Congress is understood to legislate against a background of common-law adjudicatory principles;" thus, "where a common-law principle is well established, ... the courts may take it as given that Congress has legislated with an expectation that the principle will apply except when a statutory purpose to the contrary is evident." *Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 108 (1991) (internal quotation marks omitted); *see also McQuiggin v. Perkins*, 133 S. Ct. 1924, 1934 n.3 (2013) ("Congress legislates against the backdrop of existing law.").

This Court has frequently considered the effect of the 1952 Patent Act upon preexisting law, and has concluded, in analogous circumstances, that the 1952 Act evidenced no intent to alter a longstanding

common-law regime. *See, e.g., Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 102 (2011) (retaining clear-and-convincing-evidence standard for invalidity challenges in part because of the 1952 Act's silence on the subject, which required the court to "presume" that Congress intended to retain that standard of proof, as reflected in pre-1952 Act case law); *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 26-27 (1997) (concluding that the doctrine of equivalents survived the 1952 Act, noting that, "[i]n the context of infringement, we have already held that pre-1952 precedent survived the passage of the 1952 Act," "see[ing] no reason to reach a different result here," and citing *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 342 (1961) for the proposition that a "new Patent Code, which defines 'infringement,' left intact the entire body of case law on direct infringement"). As the Federal Circuit properly concluded, the same analysis applies here and leads to the conclusion that the passage of the 1952 Patent Act—and that Act's retention of the six-year recovery period—did not disturb the uniform case law embracing laches as a supplemental equitable bar to stale claims.

Finally, as this Court noted in *Petrella*, section 282 and commentary thereon are relevant to maintaining the laches defense. Section 282(b) provides: "The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: (1) Noninfringement, absence of liability for infringement or unenforceability." "P.J. Federico, a principal draftsman of the 1952 recodification," *Diamond v. Chakrabarty*, 447 U.S. 303, 309 n.6 (1980), wrote a contemporaneous commentary on those patent laws. The Federal Circuit has deemed "Federico's

commentary" to be "an invaluable insight into the intentions of the drafters of the Act," *Symbol Techs., Inc. v. Lemelson Med.*, 277 F.3d 1361, 1366 (Fed. Cir. 2002), and this Court, too, has looked to Federico in seeking to understand what the 1952 Act did, and did not, accomplish. *Warner-Jenkinson*, 520 U.S. at 28; *Aro*, 365 U.S. at 342 n.8. As relevant here, Federico's commentary confirms that the 1952 Patent Act retained the defense of laches. After quoting the language of section 282(b)(1), Mr. Federico writes that "this would include ... equitable defenses such as laches, estoppel and unclean hands." P.J. Federico, *Commentary on the New Patent Act*, reprinted in 75 J. Pat. & Trademark Off. Soc'y 161, 215 (1993). Given *Petrella's* directive, Federico's commentary is further compelling evidence that Congress did not intend to eradicate laches when it recodified the patent laws in 1952.

C. Retaining laches to bar damages claims serves important interests such as fairness and certainty, thereby protecting and incentivizing investment and innovation.

Laches promotes fairness by "assur[ing] that old grievances will some day be laid to rest, that litigation will be decided on the basis of evidence that remains reasonably accessible and that those against whom claims are presented will not be unduly prejudiced by delay in asserting them." *Aukerman*, 960 F.2d at 1029. To benefit from laches, a defendant must generally demonstrate unreasonable delay by the plaintiff and prejudice to the defendant. *See id.* at 1032. *Aukerman* identified two types of such prejudice—economic and evidentiary "Economic prejudice may arise where a defendant and possibly

others will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit." *Id.* at 1033. "Evidentiary ... prejudice," meanwhile, "may arise by reason of a defendant's inability to present a full and fair defense on the merits due to the loss of records, the death of a witness, or the unreliability of memories of long past events, thereby undermining the court's ability to judge the facts." *Id.* Those prejudices are not eliminated by the six-year recovery period.

The doctrine is especially critical in patent cases, where delay can lead to devastating economic prejudice. Based on a reasonable assumption that a plaintiff will not file suit, a defendant might invest heavily in researching and developing a product, expend significant resources to bring the product to market, extensively promote its use, and perhaps even build an entire business. (Copyrights, by contrast, typically do not engender the same kinds or scope of investments.) In such circumstances, if a plaintiff files suit an unreasonable number of years later, the defendant could face ruin. Whereas a prompt and justified suit could have led to fair and equitable damages, an unreasonably delayed suit could destroy what the defendant built in good faith. In the patent context, examples abound of defendants who have invested heavily in research, development, manufacturing, and marketing, and those heavy investments might not return dividends until many

years later.[6] As *Aukerman* correctly observed, plaintiffs should not be allowed to "intentionally lie silently in wait watching damages escalate, particularly where an infringer, if he had had notice, could have switched to a noninfringing product." 960 F.2d at 1033 (citation omitted). This is of particular concern in the case of non-practicing plaintiffs, who aggregate patent portfolios and then wait, opportunistically, to file an action until after a defendant has expended significant resources in developing a product. Laches thus operates to mitigate such "behavior [which] can impose a 'harmful tax on innovation.'" *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015). Laches is necessary to prevent such unfair delay by plaintiffs, and protect such good-faith investments of defendants.

Delay can also lead to harmful evidentiary prejudice in patent cases. Documents or witnesses might be lost, and memories often fade. The Federal Circuit recently encountered an inventorship case in which "three witnesses with knowledge of [plaintiff's] inventorship claim ... [had] all died during the period of her delay"

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[6] For example, in this case "First Quality made a number of capital expenditures to expand its relevant product lines and to increase its production capacity. The record evidence suggests that First Quality would have restructured its activities to minimize infringement liability if SCA had brought suit earlier." *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods. LLC*, 767 F.3d 1339, 1347 (Fed. Cir. 2014); *see also, e.g., Tech. for Energy Corp. v. Computational Sys., Inc.*, Nos. 92-1542, -1551, 1993 U.S. App. LEXIS 24556, at *21 (Fed. Cir. Sept. 21, 1993) ("The district court relied on several pages of undisputed evidence showing that [defendant] expended considerable capital to expand its business in terms of, among other things, employees, sales, and investment in research and development during [plaintiff's] period of delay.").

and there was "cumulative and inherent prejudice from the dimming memories of all participants, including [plaintiff] herself." *Serdarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1360 (Fed. Cir. 2008). Such obstacles to a full and fair defense are not uncommon. *See, e.g., Odetics, Inc. v. Storage Tech. Corp.*, 919 F Supp. 911, 922 (E.D. Va. 1996), *vacated on other grounds*, 1997 U.S. App. LEXIS 15254 (Fed. Cir. June 25, 1997) (finding that "600 to 800 documents related to [defendant's] validity defense [had] been lost or destroyed," "key figures in the prosecution of the ... patent no longer recall[ed] facts that might well have aided [defendant] in defending against [plaintiff's] claims," and plaintiff's "patent counsel ... no longer [had] any recollection regarding their representation of [plaintiff] with respect to that patent"). Laches, however, has the power to preserve the fairness of trials by barring stale claims at the outset.

Without laches, the six-year recovery period of section 286 standing alone often would be insufficient to protect such interests of fairness. Particularly in a case where the defendant builds and expands its business during the period of the plaintiff's delay, the six-year recovery period would still allow the plaintiff to capture an enormous damages award, despite the fact that the damages were able to increase in that period because of the plaintiff's prejudicial delay in bringing suit. It is easy to imagine a plaintiff who is aware of a defendant's infringements, but who does not sue while the defendant pours capital into its product, the plaintiff preferring to wait and see if the defendant's efforts are profitable. Five, ten, even fifteen years later, if and when the defendant's efforts bear fruit, the plaintiff could file for infringement and

reap the benefits of the most recent—and often the most profitable—six years' worth of damages. The plaintiff could thus choose the timing and the amount of damages that were most crippling to the defendant's business, while exposing the defendant to the very real possibility that its witnesses have forgotten, moved on, or died, and its documents have been misplaced or destroyed. The Federal Circuit was entirely correct in *Aukerman* when it wrote that section 286 should not be interpreted to "provide, in effect, a guarantee of six years damages regardless of equitable considerations arising from delay in assertion of one's rights." 960 F.2d at 1030. Laches still has its equitable role to play in balancing the fairness of patent litigation and protecting defendants from such inequitable results.

II. Laches should be available in appropriate circumstances to bar an entire infringement suit, whether for damages, injunctive relief, or both.

For the reasons set forth in Part I above, laches should be available in appropriate circumstances to bar a claim for damages. Laches should also be available in appropriate circumstances to bar claims for equitable relief, including prospective injunctive relief. Depending on the case, district courts should maintain the flexibility to invoke laches to bar only certain remedies, or to dismiss the entire suit.

A. Laches should be available to bar a suit for equitable relief, including prospective injunctive relief.

This Court's precedent, both old and new, provides that laches may, where appropriate, bar any form of relief, legal or equitable. The *en banc* Federal Circuit here overruled *Aukerman's* holding that laches is "not

for post-filing ... injunctive relief." 960 F.2d at 1040. *SCA Hygiene*, 807 F.3d at 1331-33. That holding, too, should be maintained.

In *Lane & Bodley Co.*, this Court relied on laches to bar all claims for equitable relief. In that case, Locke invented a valve in 1872 and brought suit for patent infringement in 1884, seeking an injunction and an accounting. The Court found him guilty of laches and ordered that "the decree of the court below ... be [r]eversed, and the record remanded to the Circuit Court, with directions to dismiss the bill of complaint." 150 U.S. at 201. In other words, the Court invoked laches as a ground upon which to bar the entire suit, both the claim for an accounting as well as the claim for an injunction.

Petrella is not to the contrary. There, despite the existence of a three-year statute of limitations, the Court held that "in extraordinary circumstances, laches may bar at the very threshold the particular [equitable] relief requested by the plaintiff." 134 S. Ct. at 1967. The Court also discussed at length a case where there was copyright infringement in building a housing development, ultimately endorsing the lower court's refusal to order destruction of the homes on the basis of laches. *Id.* at 1978. Thus, even when there is a clear statute of limitations, this Court recognizes that laches may preclude equitable relief in appropriate circumstances. As explained above, there is no such statute of limitations in the patent context, leaving even more leeway for courts to invoke laches in denying equitable (and other) remedies.

Such a holding fully aligns with this Court's ruling in *eBay Inc. v. MercExchange, L.L.C.*, which emphasized the broad, discretionary applicability of

injunction law (itself a creature of equity): "[T]he decision whether to grant or deny injunctive relief [in patent cases] rests within the equitable discretion of the district courts, and ... such discretion must be exercised consistent with traditional principles of equity." 547 U.S. at 394.

Moreover, the arguments above in favor of allowing laches to bar claims for damages apply with equal force to equitable relief. Allowing laches to bar equitable remedies in appropriate cases serves important interests of fairness. If, based on a reasonable assumption that a plaintiff will not file suit, a defendant invests time and money in developing a product and building a business, it is not enough that laches shield him from damages down the road—laches should also be available to shield him from an injunction ordering him to cease production, which might put him out of business. Furthermore, evidentiary prejudice is just as much of a problem in a suit for an injunction as it is in a suit for damages—documents and witnesses are lost, and memories fade. Even when only equitable relief is requested, the equitable defense of laches is necessary to protect defendants from stale claims.

In sum, in light of this Court's precedent—and the realities of litigating stale claims in the patent context—laches should be available to bar suits for equitable relief.

B. District courts should retain the power to bar claims for legal relief, for equitable relief, or for both, and to dismiss an entire suit, based on laches.

In the final analysis, laches is an equitable doctrine, and district courts retain discretion regarding its

application. As this Court has long held, there are "inherent equitable powers" in district courts "to do equity and to mould each decree to the necessities of the particular case." *Porter v. Warner Holding Co.*, 328 U.S. 395, 398 (1946) (quoting *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944)). Courts "may act so as to adjust and reconcile competing claims and so as to accord full justice to all the real parties in interest." *Id.* Laches is one of these powers, residing firmly within the discretion of the trial court. *See Gardner v. Panama R.R. Co.*, 342 U.S. 29, 30 (1951) (*per curiam*). As *Aukerman* realized: "With its origins in equity, a determination of laches is not made upon the application of 'mechanical rules.' The defense, being personal to the particular party and equitable in nature, must have flexibility in its application. A court must look at all of the particular facts and circumstances of each case and weigh the equities of the parties." 960 F.2d at 1032 (internal quotation marks and citations omitted); *see also Holmberg v. Armbrecht*, 327 U.S. 392, 396 (1946) ("Equity eschews mechanical rules; it depends on flexibility").[7]

For the reasons set forth above, laches should be available as a defense to claims for damages and claims for injunctive relief. As an equitable doctrine, there should be no rigid or categorical rules to its application. Rather, laches should be available to bar

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[7] Not only does equity frown upon "mechanical rules," this Court has, over the past several years, rejected efforts to impose mechanical or bright-line rules for patent cases in a number of instances. *See, e.g., Halo Elecs.*, 136 S. Ct. at 1932-34; *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398 (2007); *eBay Inc.*, 547 U.S. 388; *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722 (2002). The court of appeals' decision here is in full accord with this Court's approach in those cases.

damages or injunctions or both, to deny certain remedies or to dismiss an entire suit, depending on the facts of the case. *Compare McLean v. Fleming*, 96 U.S. 245, 258 (1877) (laches barred an accounting and profits, but not an injunction), *with Lane & Bodley Co.*, 150 U.S. at 201 (laches required that the entire bill be dismissed). And laches should be available to bar claims and cases at the outset, as cases from *Lane & Bodley Co.* to *Petrella* have recognized; consideration of laches should not wait until the remedial phase. *Lane & Bodley Co.*, 150 U.S. at 201 (instructions to dismiss the bill); *Petrella*, 134 S. Ct. at 1977 (role for laches "at the very outset of the litigation"); *see also, e.g., Nat'l R.R. Passenger Corp.*, 536 U.S. at 121 (laches can "bar[] a plaintiff from maintaining a suit").

In sum, the Court should retain the defense of laches in patent cases, and preserve the discretion of district judges to bar some or all aspects of a patent lawsuit, whether for damages or injunction, or both.

CONCLUSION

The court of appeals' judgment should be affirmed.

Dated: July 22, 2016

Respectfully submitted,

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APPENDIX

APPENDIX[1]

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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG, *et al.*,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR *AMICI CURIAE* JOHNSON & JOHNSON AND CORDIS CORPORATION IN SUPPORT OF RESPONDENTS

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CORPORATE DISCLOSURE STATEMENT

Johnson & Johnson: Johnson & Johnson has no parent corporations, and no entity owns 10% or more of its stock.

Cordis Corporation: Cordis Corporation is a subsidiary of Cardinal Health, Inc., which owns 10% or more of Cordis Corporation's stock.

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Interest of *Amici*[1]

Johnson & Johnson and its affiliates are among the world leaders in developing and selling innovative health care products, including pharmaceuticals, biologics, medical devices and consumer health products. Cordis Corporation develops and sells innovative devices used in cardiovascular and endovascular procedures. Johnson & Johnson and Cordis own many patents protecting these innovations. As technology–based companies, they have a strong interest in a fair application of the patent system that does not reward unexcused delay in commencement of suit.[2]

Amici have a particularly strong interest in this case because they are parties in a case involving related issues, captioned *Medinol Ltd. v. Cordis Corporation and Johnson & Johnson*, 15 F. Supp. 3d 389 (S.D.N.Y. 2014). The plaintiff in that case, Medinol, has filed a petition for a writ of certiorari that is pending in this Court, which *amici* have opposed (No. 15–998). Medinol also has submitted an *amicus* brief in support of SCA here.

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[1] No party's counsel authored any part of this brief. No party, party's counsel or other person besides Johnson & Johnson and Cordis Corporation contributed money to fund the preparation or submission of this brief.

[2] Pursuant to Sup. Ct. R. 37.3(a), Respondents' written consent to this filing is submitted herewith. Petitioners consented to the filing of *amicus curiae* briefs in support of either party or neither party in a docket entry dated May 25, 2016.

This brief addresses the proper construction of the Patent Act and responds to Medinol's arguments as an *amicus* in support of SCA's position.

SUMMARY OF ARGUMENT

This case turns on construction of § 282(b) of the Patent Act, 35 U.S.C. § 282(b), which provides that "unenforceability" is available as a defense in "any action" for infringement of a patent. Under any reasonable construction, "unenforceability" in § 282 includes laches and is available in "any" patent infringement case, whether the suit seeks an injunction, damages or both.

SCA tries to extend *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014), to this case, but *Petrella* involved a very different statute and does not address the issues presented by the Patent Act. As this Court observed in another context, the differences between the Patent Act and the Copyright Act, which *Petrella* addresses, are of such significance that "cases which relate to the one subject are not altogether controlling as to the other." *Bobbs-Merrill Co. v. Strauss*, 210 U.S. 339, 345–46 (1908).

SCA and the *amici* supporting its position cannot identify any reasonable construction of "unenforceability" in § 282 that would exclude laches or would confine "unenforceability" to a subset of "any case" involving infringement of a patent. "Upon this point a page of history is worth a volume of logic." *New York Trust Co. v. Eisner*, 256 U.S. 345, 349 (1921). Ever since 1897 the patent statute has included a time limit on recoverable damages that is

the predecessor of § 286. Laches coexisted with that provision for decades, and it was a "well–settled" rule of law, *Potash Co. of Am. v. Int'l Minerals & Chem. Corp.*, 213 F.2d 153, 154 (10th Cir. 1954), that laches was available as a defense to damages in patent cases. In the decades before the 1952 Patent Act, every Court of Appeals to consider the issue so held. The Court of Appeals in this case was correct in holding that "Congress codified a laches defense in 35 U.S.C. § 282(b)(1) that may bar legal remedies," Pet. App. 2a, and in holding that § 282 "settle[s] that laches and a time limitation on the recovery of damages can coexist in patent law." *Id.*

This brief addresses arguments raised by Medinol in its brief supporting SCA.[3] Medinol's *amicus* brief pays scant attention to the Patent Act's text, legislative history or historical background. Instead, Medinol tries to alter the framework for analysis by urging this Court to adopt a "strong presumption" against statutory recognition of laches and by arguing that this "strong presumption" should not be overcome absent a "clear statement" that Congress intended to codify laches. (Br. 5, 17). By making these arguments, Medinol tacitly concedes that SCA's position cannot prevail unless a

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[3] In 2011, Medinol brought a patent infringement action against the *amici* submitting this brief (Johnson & Johnson and Cordis), after sleeping on its rights for 13 years. Its complaint subsequently was dismissed on grounds of laches. The only relief Medinol sought in that case was damages; Medinol did not (and could not) seek injunctive relief because Johnson & Johnson and Cordis had exited the market long before Medinol sued.

heavy weight is strategically placed on SCA's side of the scale.

Medinol's argument fails for at least four reasons.

1. *Petrella* does not support, much less require, a presumption against statutory recognition of laches where Congress makes that defense available by statute. Congress undoubtedly has authority to codify laches in a statute that also has a time limit on recoverable damages, and Congress did so in the 1952 Patent Act. In contrast, the Copyright Act, which *Petrella* addresses, does not provide for a laches defense. *Petrella* requires respect for Congress' judgments, and the judgments that Congress made in § 282 of the Patent Act—codifying a laches defense and making it available in "any action" for infringement of a patent—are fully deserving of that respect.

2. Under settled canons of statutory construction, this Court should apply a "clear statement" rule in construing § 282, but that rule should weigh in the opposite direction from what Medinol desires. As Medinol notes (Br. 19), this Court requires Congress to clearly express its intent before "depart[ing] from long-settled practice and understandings." As of 1952, it was a "well-settled" rule of law that laches is "applicable in patent cases," including cases for money damages. *Potash Co. of Am. v. Int'l Minerals & Chem. Corp.*, 213 F.2d 153, 154 (10th Cir. 1954) (collecting pre-1952 cases); *see also* First Quality Br. 17–23. When Congress enacted the 1952 Patent Act, this well-settled rule had coexisted for decades with a statutory time limit

on recovery of damages that is identical in every relevant respect to the time limit imposed by § 286. The Patent Act's text and legislative history show that Congress intended to codify existing defenses to patent infringement, including laches. Nothing in the Act's text or legislative history suggests that Congress intended any departure from this established fixture of patent practice.

3. Even if this Court were to adopt a "clear statement" rule running in the direction Medinol advocates, it would not mean that Congress needed to use the word laches or any other "magic words" to make laches available as a statutory defense. *United States v. Wong*, 575 U.S. ___, 135 S. Ct. 1625, 1632 (2015); *see also Gregory v. Ashcroft*, 501 U.S. 452, 461 (1991). Applying a "clear statement" rule simply entails using "traditional tools of statutory construction"—i.e., the statute's text, legislative history and historical background—to determine whether they make plain what Congress intended. *Wong*, 135 S. Ct. at 1632.

4. Even if this Court were to adopt the "clear statement" rule that Medinol advocates, it would be readily satisfied here. Under any reasonable construction, the broad term "unenforceability" in § 282 includes laches, and "unenforceability" is a defense in "any action" for patent infringement, regardless of whether the action is for an injunction or damages or both.

ARGUMENT

I. Under Any Reasonable Construction, "Unenforceability" Includes Laches and is Available in "Any Action" for Patent Infringement

Section 282 provides a complete answer to the issue presented in this case. As First Quality has demonstrated, the text, legislative history and historical background of the 1952 Patent Act compel the conclusion that "unenforceability" in § 282 includes laches and is available as a defense in "any action" for patent infringement, including actions for money damages. This conclusion is confirmed by P.J. Federico's COMMENTARY ON THE NEW PATENT ACT, 35 U.S.C. 1 (West 1954), which is often cited, *e.g.*, *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336, 342 n.8 (1961), and provides "invaluable insight into the intentions of the drafters of the Act." *Symbol Techs., Inc. v. Lemelson Med., Educ. & Research Found., L.P.*, 277 F.3d 1361, 1366 (Fed. Cir. 2002).

Instead of starting with an analysis of the Patent Act's text, legislative history and background, Medinol starts with assertions about what Congress has and has not done in other statutes. But as footnote 15 in *Petrella* recognizes, this case turns on the construction of the Patent Act. The availability of laches as a defense to damages in patent infringement cases is governed by the Patent Act—not by other statutes—and we are not aware of any

other statute that uses the term "unenforceability."[4] Other statutes therefore do not shed light on the meaning and scope of the term "unenforceability" in § 282. Interpreting that term requires a focus on the Patent Act's text, legislative history and historical background—subjects on which SCA and the *amici* supporting its position have precious little to offer.

It is telling that neither SCA nor any of its supporting *amici* can articulate a reasonable construction that would exclude laches from "unenforceability" in § 282 or limit its availability to some subset of "any action" for patent infringement. There is no such construction.

II. There is No Basis for a Presumption Against Laches or a "Clear Statement" Rule Against Its Statutory Recognition

Like SCA and the other *amici* supporting its position, Medinol cannot identify a reasonable construction of "unenforceability" in § 282 that excludes laches or makes it available in less than "any action" for patent infringement. Instead of articulating any such construction, Medinol tries to stack the deck in SCA's favor by advocating a "strong presumption" against statutory recognition of laches, which would be enforced by requiring a "clear

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[4] *See Allied–Bruce Terminix Cos. v. Dobson*, 513 U.S. 265, 273 (1995) ("We cannot look to other statutes for guidance for the parties tell us that [the Federal Arbitration Act] is the only federal statute that uses the word 'involving' to describe an interstate commerce relation.").

statement" from Congress before holding that § 282 codifies a laches defense. These arguments are misplaced, but accepting them could not alter the outcome here. Whether or not this Court adopts the "presumption" and "clear statement rule" that Medinol advocates, it is abundantly clear that "unenforceability" in § 282 includes laches and is available as a defense in "any action" for patent infringement, including actions for money damages. There is no other reasonable construction of § 282.

A. *Petrella* does not support a presumption that favors using one section of a statute to impliedly negate another section

Medinol misreads *Petrella* when it argues (Br. 4, 9) that *Petrella* creates or requires a "strong presumption" against codification of laches where Congress has adopted a statute of limitations.[5] *Petrella* addressed the "question" whether laches could bar damages under the Copyright Act. 134 S. Ct. at 1967. No party in *Petrella* suggested, or could have suggested, that the Copyright Act codifies a laches defense. Whether there should be a presumption against statutory recognition of laches simply was not an issue in *Petrella*.

Unlike the Copyright Act, the Patent Act includes a time limit on recoverable damages (§ 286)

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[5] *See, e.g.*, Medinol Br. 4 (referring to "*Petrella*'s strong presumption" against laches); *id.* at 9 ("*Petrella* embodies a strong presumption" against laches).

and a separate provision (§ 282) codifying "unenforceability," which includes laches, as a defense in "any action" involving infringement of a patent. The Patent Act's time limit on recoverable damages (§ 286) is closely similar to provisions in earlier patent statutes dating back to 1897.[6] Laches in patent cases coexisted with those provisions for decades before the 1952 Patent Act. *See* First Quality Br. 4–5, 17–23. Section 282 codifies this coexistence by making "unenforceability," including laches, a defense in "any action" for patent infringement, whether the suit is for an injunction, damages or both. There is nothing "improbable" (Medinol Br. 2) about Congress enacting both a laches defense and a time limit on recoverable damages in the Patent Act, when laches and such a time limit had coexisted in patent cases for decades before the 1952 Patent Act.

All parties agree that Congress has the power to provide for laches and a time limit on recoverable damages in the same statute. As First Quality has demonstrated, Congress did exactly that in the 1952 Patent Act. Congress' judgment in enacting § 282 is just as deserving of respect as its judgment in enacting § 286. The two sections can and should be read together. To paraphrase *Petrella*, 134 S. Ct. at 1967, "courts are not at liberty to jettison Congress' judgment" that laches and a time limit on recoverable damages should coexist in patent cases.

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[6] The dissent in the Court of Appeals correctly described the relevant provision in the 1897 Patent Act as "the predecessor to § 286 ...." Pet. App. 52a.

B. This Court should not conclude that the 1952 Patent Act abrogated established practice concerning laches without a clear statement that Congress intended that result

After incorrectly arguing that *Petrella* embodies a "strong presumption" against statutory recognition of laches, Medinol urges this Court to enforce that supposed presumption by requiring a "clear statement" before finding that Congress codified laches as a defense in patent cases.

Under settled canons of statutory construction, a "clear statement" rule is indeed applicable, but it runs in the opposite direction from what Medinol desires. SCA's theory—that the 1952 Patent Act eliminated the well–settled rule that laches is available as a defense to patent damages—cannot prevail absent a clear indication that Congress intended to abrogate decades of settled practice in patent cases.

As Medinol correctly observes, this Court "requires Congress to clearly express its intent" before "concluding that Congress intended to do something that departs from long–settled practice and understandings." (Br. 19). This is a familiar rule of statutory construction. In interpreting statutes, this Court applies a "presumption favoring the retention of long–established and familiar principles, 'except when a statutory purpose to the contrary is evident.'" *Nken v. Holder*, 556 U.S. 418, 433 (2009) (quoting *Isbrandtsen Co. v. Johnson*, 343 U.S. 779, 783 (1952)). This presumption reflects the reality that Congress "legislates against the

backdrop of existing law." *McQuiggin v. Perkins*, 133 S. Ct. 1924, 1943 n.3 (2013). This Court "normally assume[s] that, when Congress enacts statutes, it is aware of relevant judicial precedent," including the unanimous views of "every Court of Appeals" that has addressed an issue. *Merck & Co., Inc. v. Reynolds*, 559 U.S. 633, 646 (2010); *see also Jerman v. Carlisle, McNellie, Rini, Kramer & Ulrich, L.P.A.*, 559 U.S. 573, 589–90 (2010) (same); *Bradgon v. Abbott*, 524 U.S. 624, 644–45 (1998) (same).

"As a defense to a claim of patent infringement, laches was well established at the time of recodification of the patent laws in 1952." *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1029 (Fed. Cir. 1992) (en banc). Every Court of Appeals that considered the issue recognized laches as a defense to patent damages, and laches coexisted for decades with a patent statute that included a predecessor of § 286. *See* First Quality Br. 4–5, 17–23. Nothing in the Patent Act's text or legislative history remotely suggests that Congress intended to alter the well-settled rule recognizing laches as a defense to patent damages. To the contrary, the legislative history shows that Congress intended to codify, and indeed broaden, existing defenses. *See id.* at 30–32.

The inclusion of a time limit on recoverable damages (§ 286) does not indicate otherwise. Earlier patent statutes, dating back to 1897, included closely similar provisions, and laches coexisted with those provisions for decades before the 1952 Patent Act. If Congress had wanted to alter existing law on laches in patent cases, it would have done something more

than reenact a provision that had been part of the patent statutes since 1897.

The cases Medinol cites do not support a different conclusion. For example, in *Nken*, this Court applied the "presumption favoring the retention of long–established and familiar principles," 556 U.S. at 433, and was "loath to conclude that Congress would, 'without clearly expressing such a purpose, deprive the Court of Appeals of its customary power to stay orders under review.'" *Id.* (quoting *Scripps–Howard Radio, Inc. v. F.C.C.*, 316 U.S. 4, 11 (1942)). In *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391–92 (2006), this Court declined to adopt a construction that would deprive courts of their traditional equitable discretion in considering injunctive relief without a clear statement that Congress intended that result. *See also Hecht Co. v. Bowles*, 321 U.S. 321 (1944) (same). For the same reasons, this Court should be reluctant to find that Congress intended to deprive courts of their customary power to apply laches as a defense to patent damages, without a clear statement that this is what Congress intended. One would expect Congress to speak with more than ordinary clarity if it intended to overrule decades of case law recognizing laches as a defense to patent damages.

Medinol argues (Br. 20–21) that its proposed "clear statement" rule is needed to safeguard the "separation of powers" between Congress and the courts. The Copyright Act presented this concern because it has a limitations statute and no provision codifying laches, so that laches in the copyright

context was merely a judge–made doctrine with no statutory basis. As a result, applying laches in the face of the Copyright Act's statute of limitations would "jettison Congress' judgment on the timeliness of suit." *Petrella*, 134 S. Ct. at 1967. But Congress made a different judgment in the Patent Act. Under the Patent Act, laches is not merely a judge–made defense; it has the force of statute. Giving § 282 the meaning and scope it deserves in light of the Patent Act's text, legislative history and historical background effectuates Congress' intent. It does not implicate any "separation of powers" concern (Medinol Br. 20–21) or "usurp[]" Congress' authority (*id.* 24). Discretionary application of laches by "individual judges ... on a case–by–case basis" (*id.* 21) likewise presents no "separation of powers" issue because Congress gave laches a statutory basis in § 282. What would "jettison Congress' judgment" (*Petrella*, 134 S. Ct. at 1967) in the patent context would be to give § 282 a construction that is artificially narrower than the construction mandated by the Patent Act's text, legislative history and historical background.

Medinol also tries to justify its "clear statement" rule by relying on cases that address issues far afield from the issues here, e.g., cases on whether a statute has extraterritorial application (Br. 15, 18), or applies retroactively (Br. 15, 18–19), or alters the constitutional balance between the States and the Federal Government (Br. 23), or abrogates state sovereign immunity (*id.*). Applying a "clear statement rule" in those inapposite situations helps to ensure that absent clear evidence of Congress's intent, "extraordinary constitutional

powers are not invoked, or important constitutional protections eliminated, or seemingly inequitable doctrines applied." *Cipollone v. Liggett Grp., Inc.*, 505 U.S. 504, 546 (1992) (Scalia, J., concurring in the judgment and dissenting in part). Recognizing that § 282 codifies a laches defense does not present any similar considerations.

C. Applying a "clear statement rule" would entail applying traditional tools of statutory construction and would not require any magic words

Medinol also misapprehends how a "clear statement" rule would be applied. Applying a "clear statement rule" does not suspend traditional canons of statutory construction or eliminate traditional sources for ascertaining Congress' intent. It simply requires that "traditional tools of statutory construction must plainly show" that Congress intended a particular result. *United States v. Wong*, 575 U.S. ___, 135 S. Ct. 1625, 1632 (2015).

Medinol argues (Br. 4) that Congress did not clearly reveal an intent to codify laches because it did not use the word "laches" in § 282. But Congress did not need to use the word "laches" in § 282, just as it did not need to use the terms estoppel, patent misuse or unclean hands. The broad term Congress chose—"unenforceability"—is sufficiently clear and should be given its full scope. As First Quality has shown (Br. 28–29 n.11), "unenforceability" and

variants of that term were well understood as referring to laches.[7]

Even if this Court were to apply the "clear statement rule" that Medinol advocates, it "would not mean" that § 282(b) or its legislative history needs to "mention [laches] explicitly." *Gregory v. Ashcroft*, 501 U.S. 452, 467 (1991) (a clear statement rule on whether the ADEA applies to state judges "does not mean that the Act must mention [state] judges explicitly ...."). It would "not mean that

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[7] *See Wollensak v. Reiher*, 115 U.S. 96, 99 (1885) (laches disables a party from "*enforcing*" a right that been left unasserted); *Webster Elec. Co. v. Splitdorf Elec. Co.*, 264 U.S. 463, 467 (1924) (same); *United States v. New Orleans Pac. R. Co.*, 248 U.S. 507, 511 (1919) (addressing whether a trust agreement was "*unenforceable* by reason of inexcusable laches"); *McCallum v. Anderson*, 147 F.2d 811, 815 (10th Cir. 1945) ("laches operates to bar the *enforcement*" of an obligation); *Ball v. Gibbs*, 118 F.2d 958, 961 (8th Cir. 1941) (a claim may be "*unenforceable*" due to laches); *Naddo v. Colton*, 12 F.2d 531, 535 (4th Cir. 1926) (laches bars a party "from *enforcing*" a claim); *Hastings v. Coe*, 99 F.2d 129, 131 (D.D.C. 1938) (same); *Thorpe v. William Filene's Sons Co.*, 40 F.2d 269, 269 (D. Mass. 1930) (laches renders claims "*unenforceable*"); *Whitaker & Co. v. City of Carbondale*, 55 F. Supp. 72, 74 (D. Ill. 1944) (a party laches bars a party "from *enforcing* [a claim]"); *Tangeman v. Sjoblom*, 106 Fla. 379, 385 (Fla. 1932) (analyzing whether a "claim had become stale and *unenforceable*"); *Jones Mining Co. v. Cardiff Mining & Mill Co.*, 56 Utah 449, 459 (Utah 1920) (laches bars claims that are "stale and *unenforceable*"); *Sunter v. Sunter*, 190 Mass. 449, 456 (Mass. 1906) (laches renders a claim "stale, and hence *unenforceable*") (all italics added).

'Congress must incant magic words.'" *Wong*, 135 S. Ct. at 1632–33 (Congress would not need to use "magic words" to "establish that a statute of limitations is jurisdictional" in the sense of "depriving a court of all authority to hear a case"); *see also Henderson v. Shinseki*, 562 U.S. 428, 437 (2011) ("Congress, of course, need not use magic words in order to speak clearly on [whether a procedural rule is jurisdictional]").

D. Traditional tools of statutory construction make clear that Congress intended to codify the laches defense

As First Quality has demonstrated, the Patent Act's text, legislative history and historical background compel the conclusion that § 282 codified existing law recognizing laches as a defense to patent damages. The broad and inclusive term "unenforceability" in § 282 refers to the category of equitable defenses recognized in patent cases. Laches was one of those defenses. Statutes often use broad terms, and Congress is not obligated to itemize everything that a broad term includes.[8]

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[8] *See, e.g., Padilla v. Kentucky*, 559 U.S. 356, 377-78 (2010) (Alito, J., dissenting) ("Most crimes affecting immigration status are not specifically mentioned by the [Immigration and Nationality Act], but instead fall under a broad category of crimes, such as *crimes involving moral turpitude* or *aggravated felonies*.") (quoting M. Garcia & L. Eig, CRS Report for Congress, Immigration Consequences of Illegal Activity (Sept. 20. 2006)) (emphasis in original).

Section 282 should not be given "a more expansive interpretation than [its] text warrants, [but] it is just as important not to adopt an artificial construction that is narrower than what the text provides." *Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 558 (2005). "Without some indication to the contrary"—and there is no such indication in the Patent Act's text or legislative history—the broad term unenforceability, "like all words, general or not," should be "accorded [its] full and fair scope" and is "not to be arbitrarily limited." Antonin Scalia & Bryan A. Garner, *Reading Law* 101 (2012). There is no basis for adopting an artificially narrow construction of § 282. Even the two Law Professor *amici*, who otherwise support SCA's position, concede that "it may be true ... that the text of § 282(b)(1) is sufficiently 'broad' and 'inclusive' to encompass a defense of laches generally ...." (Br. 8). Moreover, § 282(b) expressly provides that "unenforceability" is a defense in "any action" for infringement of a patent. As First Quality has demonstrated (Br. 29–30), this provision makes "unenforceability" available as a defense in all patent infringement cases, regardless of whether the case is for equitable relief, damages or both.

The *amici* supporting SCA have little—and in some cases, nothing—to say about § 282's text and legislative history Moreover, SCA and all of its supporting *amici* ignore the first clause in § 282(b), which makes unenforceability a defense in "any

action" involving infringement of a patent. None of them have an answer to that provision.[9]

Medinol argues that laches is unlike other unenforceability defenses because it affects particular litigants in particular cases and "does not lead to general unenforceability of a patent." (Br. 27). But that is equally true of other defenses covered by § 282, e.g., equitable estoppel and waiver. Nothing suggests that the 1952 Patent Act was intended to eliminate these defenses. Indeed, the legislative history shows that Congress intended *not* to "materially chang[e]" existing law on defenses to patent infringement. S. Rep. No. 1979 to H.R. 7794, at 9, H. Rep. No. 1923 to H.R. 7794, at 10. If Congress had wanted to limit "unenforceability" to defenses that render a patent unenforceable in all cases against all parties then it would have been easy enough to say so. There is no hint in the Patent Act's text or its legislative history that Congress had any such intent.

More basically, in 1952 there were no unenforceability defenses in a private action that "affect[ed] the general enforceability of the patent against others." (Medinol Br. 26). Under then-applicable principles of "mutuality of estoppel," a finding of unenforceability or patent invalidity in a

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[9] *See Price v. Time, Inc.*, 416 F.3d 1327, 1336 (11th Cir. 2005) ("[T]he word 'any' is a broad and powerful word, and ... it does not mean 'some' or 'all but a few,' but instead means 'all.'") (citing *United States v. Gonzalez*, 520 U.S. 1, 5 (1997)).

private action could not have any binding effect beyond the parties in a particular case and those in privity with them. *See Triplett v. Lowell*, 297 U.S. 638, 642 (1936) (rejecting the notion that "an adjudication adverse to any or all the claims of a patent precludes another suit upon the same claims against a different defendant."). "[T]he requirement of mutuality of estoppel was still alive in the federal courts until well into [the 20th] century," *Allen v. McCurry*, 449 U.S. 90, 97 (1980), and it was not eliminated until *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313 (1971). As a result, limiting "unenforceability" to defenses that "affect the general enforceability of the patent against others" (Medinol Br. 26) would violate "a cardinal principle of statutory construction," *Duncan v. Walker*, 533 U.S. 167, 174 (2001), by turning the "unenforceability" provision into a "nullity" at the time of its enactment. *United States v. Atl. Research Corp.*, 551 U.S. 128, 137 (2007).

Medinol also tries to distinguish laches from other unenforceability defenses, such as patent misuse and fraud on the Patent Office, which Medinol admits "prevent recovery of *either* equitable or legal relief." (Br. 27 (italics in original)). This is no distinction because § 282(b)'s introductory clause makes "unenforceability" available in "any action" involving infringement of a patent, including actions for legal relief, equitable relief or both. Medinol has no response to this clause and simply ignores it. As noted above, Medinol is not alone in this regard. SCA and the *amici* supporting its position all ignore the first clause in § 282(b).

Medinol relies on its avoidance of the first clause in § 282(b) when it misreads P.J. Federico's Commentary as "only refer[ring] to *a* role for laches under the Patent Act, such as in equitable actions ...." (Medinol Br. 29 (italics in original)). Nothing in Mr. Federico's Commentary remotely suggests that the availability of laches is circumscribed in that fashion. What Mr. Federico's Commentary actually says is that "unenforceability" in § 282 "include[s] equitable defenses such as laches, estoppel and unclean hands." P.J. Federico, COMMENTARY ON THE NEW PATENT ACT, 35 U.S.C. 1, 55 (West 1954). Medinol's argument that Mr. Federico's Commentary is "consistent with" laches being available only "in equitable actions, but not in damages actions" (Br. 29), ignores the Commentary's actual text and is at odds with the language of § 282, which expressly makes "unenforceability" available in "any action" involving infringement of a patent.

E. The legislative history of the 1957 Copyright Act has no bearing here

Because the text, legislative history and historical background of the 1952 Patent Act do not support SCA's position, Medinol looks elsewhere—to the legislative history of a different statute, enacted by a different Congress, to address a different area of law. Medinol's discussion of the Copyright Act's legislative history (Br. 12–13, 20, 28–29) has no bearing on any issue here.

"[S]ubsequent legislative history [of a different statute] will rarely override a reasonable interpretation of a statute that can be gleaned from its language and legislative history prior to its

enactment." *Solid Waste Agency v. United States Army Corps of Eng'rs*, 531 U.S. 159, 170 n.5 (2001) (quoting *Consumer Product Safety Comm'n v. GTE Sylvania, Inc.*, 447 U.S. 102, 118 n.13 (1980)). It would be inappropriate to "use[] the legislative history—of a different statute—to rewrite [§ 282] so as to restrict its reach." *North Haven Bd. of Ed. v. Bell*, 456 U.S. 512, 530 n.21 (1982). These axioms carry particular force here, because the Copyright Act's legislative history does not address the meaning or scope of "unenforceability" in § 282.

Medinol's discussion of the Copyright Act's legislative history is not just irrelevant—it also is incorrect. Medinol takes two passages from the legislative history of the 1957 Copyright Act, stitches them together and mischaracterizes them to draw conclusions that find no support in the Copyright Act's legislative history, much less the more relevant legislative history of the 1952 Patent Act.

Medinol starts by quoting a statement from the Copyright Act's legislative history, to the effect that "courts generally do not permit the intervention of equitable defenses where there is a limitation on the right." (Medinol Br. 12 (quoting S. Rep. No. 85–1014, at 3 (1957); H.R. Rep. No. 85–150, at 2 (1957)). This observation acknowledges that there is no uniform rule on this issue, and it pertains to courts "generally," *id.*, not patent cases in particular. As First Quality has demonstrated, factors relating to the historical development of patent law made patent cases a conspicuous exception to this general principle. In the decades following the enactment of the 1897 Patent Act (which included a precursor of

§ 286), every Circuit to consider the issue recognized laches as a defense to claims for damages in patent cases.

The other passage that Medinol cites from the Copyright Act's legislative history (Br. 13 n.5) refers to § 286's time limit on recoverable damages as "a limitation upon the substantive right rather than upon the remedy." S. Rep. 85–1014, at 3; H.R. Rep. No. 85–150, at 2. This passage does not mention "unenforceability" or laches, and it has no bearing on the issues here. Moreover, viewing § 286 as a "limitation upon the substantive right rather than upon the remedy" is contrary to the express terms of § 286.[10] On its face, § 286 bars recovery of damages for infringing acts that occurred more than six years before the action was commenced. It is not a prohibition on commencement of suit and does not bar other relief.

Taken separately or in combination, the two passages that Medinol cites from the legislative history of the 1957 Copyright Act have nothing to do with the meaning and scope of "unenforceability" in the 1952 Patent Act. Although neither passage sheds light on the intent of the different Congress that codified the laches defense in § 282 of the 1952 Patent Act, Medinol misuses these passages to offer

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[10] *See* 35 U.S.C. § 286 ("Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.").

conclusions unrelated to their actual contents.[11] The conclusions Medinol draws from these passages are not supported by anything in the legislative history of the 1957 Copyright Act.[12] More important, those conclusions are at odds with the more relevant text,

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[11] *See, e.g.*, Medinol Br. 13 (arguing that the Congress which enacted the 1957 Copyright Act "***specifically understood itself to have adopted a statute of limitations in the Patent Act that would not permit the use of laches to bar damages actions under the Patent Act.***") (italics in original)); *id.* at 17 (arguing that "the committee reports concerning the Copyright Act ... clearly stated that [Congress] did *not* intend to permit laches to be invoked in damages actions under the Patent Act" (italics in original)); *id.* at 20 (arguing that Congress "recognized" in the Copyright Act's legislative history that § 286 of the Patent Act "precludes the use of laches in damages actions ...."). All of these assertions blatantly distort the legislative history of the 1957 Copyright Act.

[12] To the extent the Copyright Act's legislative history has any significance, it is for a passage Medinol ignores, which is more pertinent than the passages on which it relies. The Senate Report on the Copyright Act addressed "the question" of whether the statute should "specifically enumerat[e] various equitable defenses on which the statute of limitations is generally suspended," and concluded that "this was unnecessary, inasmuch as the 'Federal District courts, generally recognize these equitable defenses anyway.'" S. Rep. 85–1014, at 1963. To the extent the legislative history of the Copyright Act deserves consideration, this statement suggests that the Congress that enacted the 1957 Copyright Act viewed statutes of limitations as compatible with equitable defenses such as laches.

legislative history and historical background of the 1952 Patent Act.

CONCLUSION

This Court should affirm the Court of Appeals' holding that laches remains available as a defense to claims of damages for patent infringement.

September 19, 2016

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SCA HYGIENE PRODUCTS AKTIEBOLAG AND
SCA PERSONAL CARE, INC.,
Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY
HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., AND
FIRST QUALITY RETAIL SERVICES, LLC
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

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INTEREST OF THE *AMICUS CURIAE*[1]

Amici are professors of law who teach and write about subjects that include the law of remedies and patent law. They have expertise that bears directly on the question before this Court: Should laches be available to bar claims for legal damages from patent infringement that are brought within the six-year limitations period codified at 35 U.S.C. § 286?

Amici are:

Samuel L. Bray, Professor of Law at the UCLA School of Law.[2] Professor Bray's research explores the law of remedies and, in particular, questions related to the functions, timing, and institutional demands of different remedies. His latest work in this area explains the continuing relevance of and justifications for the traditional distinction between legal and equitable remedies.

John F. Duffy, Samuel H. McCoy II Professor of Law at the University of Virginia School of Law. Professor Duffy has written extensively in the area of patent law and policy. His works include law review articles on patent law and a casebook, co-authored with Robert Merges, on *Patent Law and Policy*. He

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[1] All parties have consented to the filing of this brief. No counsel for a party has written this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person or entity, other than the *amicus curiae* or its counsel, has made a monetary contribution to this brief's preparation or submission.

[2] Institutional affiliations are provided for identification purposes only.

also writes on other areas of the law, and his article *Administrative Common Law in Judicial Review*, 77 Tex. L. Rev. 113 (1998), examined the relationship between statutory law and judge-made law, including judge-made law in equity decisions.

SUMMARY OF ARGUMENT

The traditional rule in American law is that laches is an equitable defense that does not apply to claims for damages brought within an applicable statutory limitations period. This longstanding rule was recently reaffirmed by this Court in *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014).

Patent law is not special in this regard. There was no common-law exception to the traditional rule in patent cases prior to the enactment of the Patent Act in 1952, and Congress did not codify such an exception in that act. The Federal Circuit's conclusion to the contrary, which is based on a smattering of inconclusive lower-court decisions and fails to account for contrary Supreme Court precedent, is mistaken.

The traditional rule reflects both good policy and the superior lawmaking authority of the legislature. The laches defense responds to certain dangers inherent in the award of equitable relief, which include the risk of abusive behavior by litigants and costly judicial supervision. These dangers simply are not present to anything like the same degree when a plaintiff seeks only legal remedies that are already subject to a statute of limitations. Moreover, consistent with general separation-of-powers principles, judge-made limitations on the timing of remedies should yield where Congress has considered

and addressed the issue. All of these points are no less true in the patent context than in any other. Accordingly, the holding of the Federal Circuit should be reversed.

ARGUMENT

I. LACHES IS AN EQUITABLE DEFENSE THAT DOES NOT BAR CLAIMS FOR LEGAL DAMAGES

A. The Traditional Rule In American Law Is That Laches Does Not Bar Claims For Legal Damages

The traditional rule in American law is that laches is an equitable defense that does not bar claims for legal damages brought within an applicable statutory limitations period. See, *e.g.*, *Cnty. of Oneida* v. *Oneida Indian Nation of N.Y.*, 470 U.S. 226, 244 n.16 (1985) ("[A]pplication of the equitable defense of laches in an action at law would be novel indeed."); *Restatement (Third) of Restitution and Unjust Enrichment* § 70 (2011) (explaining that any "action for restitution may be barred by [a] lapse of time under an applicable statute of limitations" but expressly restricting the defense of laches to "an action for restitution [that] asserts a claim or seeks a remedy originating in equity"); 1 Dan B. Dobbs, *Law of Remedies* 104, 105-106 (2d ed. 1993) ("When laches does not amount to estoppel or waiver, it does not ordinarily bar legal claims, only equitable remedies Courts have routinely referred to laches as an equitable defense, that is, a defense to equitable remedies but not a defense available to bar a claim of legal relief."); Samuel L. Bray, *A Little Bit*

of Laches Goes a Long Way: Notes on Petrella v. Metro-Goldwyn-Mayer Inc., 67 Vand. L. Rev. En Banc 1, 2-4 (2014).

This rule has a long pedigree, see, *e.g.*, *United States* v. *Mack*, 295 U.S. 480, 489 (1935) ("Laches within the term of the statute of limitations is no defense at law."), and continues to govern in the vast majority of state and federal courts, see *Naccache* v. *Taylor*, 72 A.3d 149, 154 & n.9 (D.C. 2013) (collecting cases). While a few courts do apply laches to all claims, legal and equitable, these scattered exceptions only demonstrate the widespread resilience of the traditional rule. See, *e.g.*, *Smith* v. *Gehring*, 496 A.2d 317, 323-25 (Md. Ct. Spec. App. 1985) (noting several outliers to the traditional rule, including a pair of patent cases, and rejecting them as unreasoned outliers); Bray, *A Little Bit of Laches*, 67 Vand. L. Rev. En Banc at 3 (same).

B. *Petrella* Reaffirmed The Traditional Rule

The continuing vitality of the traditional rule barring laches as a defense to claims for legal damages was recently reaffirmed in *Petrella* v. *Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014). The Court held that laches is not a defense to copyright infringement claims seeking damages that are brought within the Copyright Act's three-year limitations period.

As this Court reasoned, "laches is a defense developed by courts of equity; its principle application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Petrella*, 134 S. Ct. at 1973. "Both before and after the merger of law and equity in 1938, this

Court has cautioned against invoking laches to bar legal relief." *Ibid.* (citing *Holmberg* v. *Armbrecht*, 327 U.S. 392, 395 (1946); *Merck & Co.* v. *Reynolds*, 559 U.S. 633, 652 (2010); *Mack*, 295 U.S. at 489; *Cnty. of Oneida*, 470 U.S. at 244 n.16).

This traditional rule, the Court emphasized, works in tandem with separation-of-powers principles to preclude application of laches to claims for legal damages brought within a statutory limitations period. "[T]he equitable defense of laches" is meant to address "unreasonable, prejudicial delay in commencing suit." *Petrella*, 134 S. Ct. at 1967. But a congressionally enacted statute of limitations "itself takes account of delay" in the bringing of claims and thus obviates any need for a laches defense as to claims with the domain of the statute. *Id.* at 1973. The "legislation-overriding" that occurs when individual judges "set a time limit other than the one Congress prescribed . . tug[s] against the uniformity Congress s[eeks] to achieve when it enact[s]" a limitations period, and upsets the proper division of labor between courts and Congress. *Id.* at 1974-75; cf. *Lyons P'ship, L.P.* v. *Morris Costumes, Inc.*, 243 F.3d 789, 798 (4th Cir. 2001) ("Separation of powers principles preclude us from applying the judicially created doctrine of laches to bar a federal [copyright] claim that has been timely filed under an express statute of limitations.").

Although *Petrella* addressed the availability of laches to claims for legal damages brought within the Copyright Act's limitations period, its holding was based on principles that apply more generally. The conclusion that "laches is a defense developed by courts of equity" and is therefore inapplicable to

claims for legal remedies, 134 S. Ct. at 1973, is not unique to copyright, but rather derives from generally applicable common-law principles developed in cases decided before and after the merger of law and equity, and in a variety of legal contexts. See *id.* at 1973-74. Similarly, the command that when Congress speaks, the courts must follow, see *id.* at 1973-74, is hardly limited to copyright, or even to statutes of limitations. See, *e.g.*, *Miles* v *Apex Marine Corp.*, 498 U.S. 19, 27, 31 (1990) (in admiralty context, holding that where "Congress has spoken directly" to remedial questions, courts must not "supplement" Congress' answer by prescribing "a different measure of damages," "a different statute of limitations," or "a different class of beneficiaries"). In sum, nothing in *Petrella* suggests that its reasoning or conclusion is limited to the copyright context.

II. THE PATENT ACT ADHERES TO THE TRADITIONAL RULE

The decision below departs from the traditional rule. According to the Federal Circuit, such departure is the will of Congress—which, that court held, "codified a laches defense in [35 U.S.C. § 282(b)(1)]." Pet. App. 36a. But Congress did no such thing. Properly construed, section 282(b)(1) provides no reason to think that Congress intended for laches to apply to claims for legal damages in the patent context.

The Federal Circuit's construction of section 282(b)(1) rests on two assertions, neither of which is sound. The first is that the purportedly "inclusive language" of section 282(b)(1), in combination with its legislative history and certain

post-enactment statements by one of its principal draftsmen, evidences Congress's deliberate intent to make laches applicable to all kinds of patent claims, legal and equitable. The second is that Congress's intent in this regard merely "codified [the] laches defense" as it existed in case law at the time of section 282(b)(1)'s enactment, and that laches "barred recovery of legal remedies" under such case law. Pet. App. 18a–34a

But nothing in the text or legislative history of section 282(b)(1) suggests that Congress intended to expand the availability of the laches defense beyond its traditional domain—and neither does the case law in existence at the time the provision was enacted. Indeed, even when taken together, the factors relied upon by the Federal Circuit fall far short of the "clear[] express[ion]" of legislative intent that is required to justify a departure from the traditional rules governing remedies. See, *e.g.*, *Nken* v. *Holder*, 556 U.S. 418, 433 (2009) (refusing to imply a departure from traditional equitable principles where Congress had not "clearly express[ed] such a purpose"). And in the absence of such a clear expression, section 282(b)(1) should be construed to invoke, rather than alter, the traditional rule that laches does not bar claims for legal relief brought within an applicable limitations period.

A. Congress Did Not Change The Traditional Rule When It Enacted Section 282(b)

This Court has recently and repeatedly said that congressional departures from traditional principles of equitable remedies are not to be implied lightly. See, *e.g.*, *Nken*, 556 U.S. at 433; *eBay Inc.* v.

MercExchange, L.L.C., 547 U.S. 388, 391 (2006); see also *Weinberger* v. *Romero-Barcelo*, 456 U.S. 305, 313, 320 (1982). That is not to say that Congress cannot make changes to the law of remedies when it wishes. See *Jesinoski* v. *Countrywide Home Loans, Inc.*, 135 S. Ct. 790, 793 (2015). But such a purpose must be "clearly express[ed]." *Nken*, 556 U.S. at 433. Absent such a clear expression, courts are to read federal statutes in a manner that is consistent with, rather than one that alters, the common law of equitable remedies. *Romero-Barcelo*, 456 U.S. at 320; see also Bray, *A Little Bit of Laches*, 67 Vand. L. Rev. En Banc at 15-17 (giving rationales).

No clear statement expressing an intent to depart from the traditional rules governing laches appears anywhere in section 282(b)(1). The section provides that:

> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:
>
> > (1) Noninfringement, absence of liability for infringement or unenforceability.

35 U.S.C. § 282(b)(1). As is evident from its text, the statute does not even *mention* laches. Though it may be true, as the Federal Circuit held, that the text of section 282(b)(1) is sufficiently "broad" and "inclusive" as to encompass a defense of laches generally, Pet. App. 19a, 22a, it cannot be said that the text is so clear and specific as to evidence a congressional intent to deviate from the traditional rule confining laches to claims for equitable relief.

Cf. *Nken*, 556 U.S. at 428-433 (finding that statutory provision limiting courts' authority to "enjoin the removal of any alien," 8 U.S.C. § 1252(f)(2), did not evidence a congressional intent to deviate from traditional principles regarding stays, despite "functional overlap" between a stay pending appeal and a preliminary injunction). On this point—the only one that matters here—the statute is altogether silent.

Nor can any such clear expression of purpose be found in the legislative history of the statute. As the Federal Circuit acknowledges, the relevant House and Senate Reports each contain just one sentence addressing section 282(b). Pet. App. 19a. Neither addresses either the availability or the scope of a laches defense. *Ibid.* Likewise, the drafter's commentary on which the Federal Circuit relies states only that the term "unenforceability" in section 282(b)(1) was meant to "include . . . equitable defenses such as laches." *Id.* at 20a (quoting P.J. Federico, *Commentary on the New Patent Act*, 35 U.S.C.A. 1, 55 (West 1954)). Putting aside whether this post-enactment statement by a Patent Office official should be accorded any authoritative weight at all,[3] it provides no evidence of any intent to apply the equitable defense of laches *to claims for legal damages*. Because neither the text of section 282(b)(1) nor its legislative history suggest

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[3] Cf. *Consumer Prod. Safety Comm'n* v. *GTE Sylvania, Inc.*, 447 U.S. 102, 117-18, 120 (1980) (repeating "the oft-repeated warning that" a "*post hoc* statement" of a single legislator "is far from authoritative as an expression of congressional will").

that Congress intended to depart from familiar equitable principles, the statute should be construed to adhere to those principles and provide for laches as a defense only to equitable claims. Cf. *eBay*, 547 U.S. at 391-92 (holding that the "familiar principles" governing permanent injunctive relief "apply with equal force to disputes arising under the Patent Act" in the absence of any indication that Congress intended otherwise).

Indeed, the conclusion that Congress intended to leave the traditional scope of the laches defense undisturbed is bolstered when the words of section 282 are properly construed "in their context and with a view to their place in the overall statutory scheme." *Utility Air Regulatory Grp.* v. *Environmental Protection Agency*, 134 S. Ct. 2427, 2441 (2014). The six-year statutory limitations period set out in section 286 expresses Congress' judgment as to the timeliness of a damages claim, lending further support to the conclusion that whatever laches defense may be contemplated by section 282 adheres to traditional equitable principles and does not apply to claims for legal relief brought within the limitations period. See *Petrella*, 134 S. Ct. at 1967 (noting that because "courts are not at liberty to jettison Congress' judgment on the timeliness of suit," laches "cannot be invoked to preclude adjudication of a claim for damages brought within the three-year" statutory limitations period).

B. There Was No Common-Law Exception To The Traditional Rule In Patent Cases Prior To The Enactment Of The Patent Act Of 1952

The Federal Circuit's holding is not saved by the majority's analysis of the common law at the time that section 282 was enacted in 1952. While it is true that a statute that "covers an issue previously governed by the common law" is presumed to "retain the substance of the common law," Pet. App. 24a (quoting *Kirtsaeng* v. *John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013)), that presumption applies only to principles that are "well established." *Astoria Fed. Sav. & Loan Ass'n* v. *Solimino*, 501 U.S. 104, 108 (1991). In 1952, there was no such well-established principle permitting laches as a defense to claims for legal relief brought within a limitations period.

On the contrary, this Court had several times stated the opposite: "Though a good defense in equity, laches is no defense at law. If the plaintiff at law has brought his action within the period fixed by the statute of limitations, no court can deprive him of his right to proceed." *Wehrman* v. *Conklin*, 155 U.S. 314, 326 (1894); see also *Holmberg*, 327 U.S. at 395; *Mack*, 295 U.S. at 489; *Cross* v. *Allen*, 141 U.S. 528, 537 (1891). Nor was there any uniform practice among lower federal courts permitting laches as a defense to claims for legal relief. See, *e.g.*, *Roller* v. *Clark*, 38 App. D.C. 260, 266 (D.C. Cir. 1912) ("Laches, though a good defense in equity, is no defense at law."). Nor, for that matter, should any change in the scope of laches be expected to follow from the procedural merger effected by the Federal Rules of Civil Procedure. See, *e.g.*, *Grupo Mexicano*

de Desarrollo, S.A. v. *All. Bond Fund, Inc.*, 527 U.S. 308, 322-23 (1999). The established rule was (and is) that laches applies only against equitable claims. See, *e.g.*, *Petrella*, 134 S. Ct. at 1973-74; see also McClintock on Equity (2d ed. 1948) ("The majority of the courts which have considered the question have refused to enjoin an action at law on the ground of the laches of the plaintiff at law ").[4]

In light of these repeated statements by the Supreme Court, it is impossible to conclude that there was any "well-established" common-law principle permitting the application of laches to legal claims, let alone that Congress silently endorsed that principle when it enacted section 282. Cf. Antonin Scalia & Bryan A. Garner, *Reading Law* 322 (2012) (Congress is presumed to be aware of administrative or judicial interpretation of statutory language only when it is "by the highest court in a jurisdiction" or "a uniform interpretation" by lower courts).

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[4] The Federal Circuit suggests that *Lane & Bodley Co.* v. *Locke*, 150 U.S. 193 (1893), is to the contrary. See Pet. App. 32a–33a. This view is mistaken. *Lane & Bodley* was a suit in equity seeking equitable relief, not legal damages. *Locke* v. *Lane & Bodley Co.*, 35 F. 289, 290 (C.C.S.D. Ohio 1888), *rev'd*, 150 U.S. 193. Moreover, *Lane & Bodley* was decided at a time when there was no general statute of limitations for patent law. See *Campbell* v. *City of Haverhill*, 155 U.S. 610, 614 (1895) ("[T]he [1870 Act's] federal statute of limitation has no application to any infringement committed since June 22, 1874."); see also Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 692, 694 (predecessor to § 286). The Court was thus free to apply laches or borrow an analogous state statute of limitations without "jettison[ing] Congress' judgment on the timeliness of suit." *Petrella*, 134 S. Ct. at 1967.

The Federal Circuit elides these cases by speaking exclusively about so-called "laches patent common law" (Pet. App. 26a)—a phrase never before appearing in *any* reported judicial decision or secondary commentary. But laches is not a creature of patent law; it is a general equitable defense. See, *e.g.*, *Petrella*, 134 S. Ct. at 1973-74 (looking to cases arising under the Federal Farm Loan Act, the Securities Exchange Act, the National Prohibition Act, and federal common law of Indian land rights for guidance regarding the scope of laches in a copyright action). And as previously discussed, nothing in the Patent Act suggests that Congress intended to create a patent-specific form of laches (or that it had any intention with respect to laches at all). In the absence of any such clear indication that patent is special when it comes to laches, generally applicable equitable principles must be applied. Cf. *eBay*, 547 U.S. at 393 (rejecting the Federal Circuit's "'general rule,' unique to patent disputes," and applying instead generally applicable equitable principles).

In any event, no well-established principle permitting the application of laches to claims for damages within the limitations period can be conjured up out of the so-called "laches patent common law" as it existed in 1952. See Pet. App. 55a–64a (Hughes, J., concurring in part and dissenting in part) (finding that, "contrary to the majority's narrow analysis of regional-circuit cases, the pre-1952 case law did not clearly establish that a plaintiff's laches may preclude recovery of legal damages"). In fact, many of the cases that applied laches to bar claims for patent damages did so without so much as mentioning the statutory limitations provision that became section 286. See,

e.g., *Universal Coin Lock Co.* v. *Am. Sanitary Lock Co.*, 104 F.2d 781, 781 (7th Cir. 1939); *George J. Meyer Mfg. Co.* v. *Miller Mfg. Co.*, 24 F.2d 505, 507-08 (7th Cir. 1928). In these cases, the question of whether laches can be applied to bar claims for legal damages brought within a limitations period merely "lurk[s] in the record, neither brought to the attention of the court nor ruled upon," and they cannot "be considered as having been so decided as to constitute precedents." *Cooper Indus., Inc.* v. *Aviall Servs., Inc.*, 543 U.S. 157, 170 (2004).

Other cases decided in the lower courts before 1952 suggested some openness to applying laches to claims for legal damages, but they did not actually do so. *E.g.*, *France Mfg. Co.* v. *Jefferson Elec. Co.*, 106 F.2d 605, 609 (6th Cir. 1939); *Hartford-Empire Co.* v. *Swindell Bros., Inc.*, 96 F.2d 227, 232-33 (4th Cir. 1938), *modified in part on other grounds*, 99 F.2d 61 (4th Cir. 1938). Even assuming that these opinions could be read to endorse the availability of laches for damages claims—and that is far from clear—any such endorsements are dicta. As such, they "do not lend any additional weight to the argument that Congress ratified a settled judicial construction. Dictum settles nothing, even in the court that utters it." *Jama* v. *Immigration & Customs Enforcement*, 543 U.S. 335, 351 n.12 (2005).

And in *Middleton* v. *Wiley*, which was decided the same year that the provisions in question were enacted (1952), the Eighth Circuit *reversed* the trial court's application of laches on the basis of, among other things, the Patent Act's statute of limitations:

> It is clear that, under the statute, recovery of compensatory damages for

> infringement of a patent is not a matter of judicial grace but of legal right, and that the damages awarded may not be less than a reasonable royalty.
>
> The defendant Wiley asserts, in effect, that the plaintiff lost his right to damages because he waited too long to bring his action. But persistence in the unauthorized use of a patented invention is a continuing trespass, and mere delay in seeking redress cannot destroy the right of the patentee to compensatory damages.

195 F.2d 844, 847 (8th Cir. 1952).[5] As *Middleton* demonstrates, there simply was no consensus that laches could be applied to bar patent-infringement claims for legal damages brought within the limitations period.

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[5] The Federal Circuit majority attempts to circumvent *Middleton*'s clear statement against the applicability of an equitable defense to a claim for damages brought within the limitations period by focusing on subsequent language in that case finding "no basis for applying the doctrine of laches," *Middleton*, 195 F.2d at 846. According to the Federal Circuit, this subsequent language means that *Middleton* "assumes laches to preclude legal relief." Pet. App. 32a & n.9. Not so. But even assuming *arguendo* that this subsequent language in *Middleton* demonstrated a certain openness to applying laches, the ambiguity of the court's position regarding the propriety of laches for a claim for legal relief brought within the limitations period defeats the conclusion that there was any *well-established* rule expanding the availability of laches under the "laches patent common law."

III. THERE ARE GOOD REASONS FOR THE TRADITIONAL RULE

The traditional rule that laches does not apply to a claim for a legal remedy is not merely a historical artifact. It reflects characteristic differences between legal and equitable relief that remain relevant today—including in the patent context. The Federal Circuit's attempt to defend its "'general rule,' unique to patent disputes," *eBay*, 547 U.S. at 393, should, even as a matter of policy, give way to general equitable principles.

A. Laches Responds To The Dangers Inherent In Awarding Equitable Rather Than Legal Relief

Consider, for example, why laches even exists as a defense. One answer is that there are familiar problems from long-delayed suits—memories fade, stories change, documents are lost, and so on. That answer is good as far as it goes, but it is also the reason for a statute of limitations. By itself, that is not a reason for a more flexible time limit, like the one embodied in the laches defense. And it is certainly not a reason to set aside a statute of limitations—Congress's bright-line answer to these general timeliness concerns. It is Congress's prerogative to choose between a bright-line rule and a flexible standard, and its choice of the former should be respected. The equitable defense of laches must have other purposes.

"[E]quitable remedies have certain characteristic costs," which generally are not present with claims for legal relief. Samuel L. Bray, *The System of Equitable Remedies*, 63 UCLA L. Rev. 530, 577

(2016). Laches responds to these dangers inherent in the award of equitable relief. One danger is that equitable remedies will be abused by litigants because they have asymmetric effects on the parties. See generally *id.* at 577-78. In real property, the classic example is the landowner who knowingly allows an encroaching neighbor to build an expensive structure on his land because, once the structure is built, an injunction to tear it down will give the landowner powerful leverage to exact concessions. The leverage comes from the asymmetric effect of the injunction: tearing down the neighbor's structure will help the landowner a little, but it will hurt the neighbor a lot. This asymmetric effect and the resulting hold-up danger is of course well-known for injunctions in intellectual property But it is almost wholly absent for damages. An award of damages is money, and the amount of money paid by the defendant is the same as the amount of money received by the plaintiff. There is no pervasive asymmetry of effect.

Another danger is that litigants will abuse equitable remedies because of a temporal asymmetry The benefit the plaintiff would derive from an injunction, accounting, constructive trust, or specific performance may fluctuate dramatically based on prices, variation in profits over time, or circumstances that lock the defendant in to a course of conduct. This danger, too, is acute for intellectual property. See, *e.g.*, Mark P. Gergen, John M. Golden & Henry E. Smith, *The Supreme Court's Accidental Revolution? The Test for Permanent Injunctions*, 112 Colum. L. Rev. 203, 243-44 (2012) (noting the concern that some entities will "sit back while others make costly investments based on an apparent absence of

relevant patent rights, not knowing that the [plaintiff] will assert a claim of infringement after designing around the [plaintiff's] patent rights becomes much more expensive"); *Haas* v. *Leo Feist, Inc.*, 234 F. 105, 108 (S.D.N.Y. 1916) (L. Hand, J.) (noting this risk as a reason to apply laches to an equitable remedy in copyright). But none of these reasons for temporal asymmetry is typically present with damages, which do not require the transfer of property and are thus relatively immune from subsequent market fluctuations.

A final danger is costly supervision of the parties. Equitable remedies are more likely to require continuing judicial oversight, whether because of the possibility of noncompliance or the possibility that they will need alteration as circumstances change. See, *e.g.*, *Original Great Am. Chocolate Chip Cookie Co.* v. *River Valley Cookies, Ltd.*, 970 F.2d 273, 281 (7th Cir. 1992) ("[E]quitable relief is costly to the judicial system, especially in a case such as this where the relief sought would cast the court in a continuing supervisory role."); 13A Charles Alan Wright et al., Federal Practice & Procedure § 3531.2 (3d ed. 2002) ("To award damages, it need only be determined that the specific activities involved with this case were unlawful. To award an injunction, much more precise determinations may become necessary."); Bray, *System of Equitable Remedies*, 63 UCLA L. Rev. at 572-76. Many of these costs are externalities to the parties and will not be fully incorporated into their decisionmaking. Again, these costs are not characteristic of damages.

B. These Characteristics Of Equitable And Legal Relief Are No Different In The Patent Context

In its effort to justify its departure from the traditional rule, the Federal Circuit relies on a so-called special body of "laches patent common law," Pet. App. 26a; emphasizes that pre-1952 patent damages actions were "unlike typical damages actions in that" damages could be recovered in actions at either law or equity, Pet. App. 34a-35a;[6] and points to the fact that "innocence is no defense to patent infringement," which it characterizes as a "major difference between copyright and patent law," Pet. App. 37a. At bottom, these various arguments can be boiled down to one central rationale: Patent law is special.

While that is no doubt true in some respects, patent law is utterly ordinary when it comes to the foundational remedial principles that underlie the traditional rule governing laches. See Pet. App. 45a (Hughes, J., concurring in part and dissenting in part) ("Patent law is governed by the same common-law principles, methods of statutory interpretation, and procedural rules as other areas of civil litigation."). As with other areas of law, the award of equitable relief in patent is sometimes susceptible to

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[6] This distinction is far less meaningful than the Federal Circuit suggests, in light of Supreme Court precedent holding that a court sitting in equity could not enjoin a court sitting in law from awarding legal damages on the basis of laches. See *Wehrman*, 155 U.S. at 326-27 ("Though a good defense in equity, laches is no defense at law.").

certain dangers, such as asymmetric costs to the parties, temporal asymmetry, and costly judicial supervision. See, *e.g.*, Fed. Trade Comm'n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition* 215 (2011) (acknowledging that, in certain circumstances, an injunction has the "ability to generate [a] hold-up that can distort competition among technologies, raise prices and deter innovation"); *Foster* v. *Am. Mach. & Foundry Co.*, 492 F.2d 1317, 1324 (2d Cir. 1974) (acknowledging the concern that "[a]n injunction to protect a patent against infringement, like any other injunction, . . [could be used] as a club to be wielded by a patentee to enhance his negotiating stance.").

And as with other areas of the law, these dangers typically are not present when the remedy in question is damages: the amount of money received by a successful patent-infringement plaintiff is the same as the amount of money paid by an unsuccessful patent-infringement defendant; the benefit a successful patent-infringement plaintiff derives from damages for a particular act of infringement is relatively invulnerable to *post hoc* market fluctuations;[7] and the costs of complying with

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[7] Of course, the value of each actionable *act* of infringement may vary, even if the value of damages associated with that act of infringement does not change over time. This feature of the patent law does not justify abandonment of the traditional rule regarding laches. As this Court reasoned with respect to an analogous feature of copyright law in *Petrella*, "[i]t is hardly incumbent on [patent] owners to challenge each and every actionable infringement," and "there is nothing untoward" about

an order to pay damages are relatively low. To the extent that there is reason to fear delay by patent-infringement litigants, that concern has been addressed by Congress' provision of the limitations period set forth in section 286. See Pet. App. 51a (Hughes, J., concurring in part and dissenting in part) ("Congress' decision to create a fixed statutory limitations period in § 286 strongly suggests that it did not intend to codify a defense of laches that further regulates the timeliness of damages claims."). Nothing about patent law justifies the Federal Circuit's departure from traditional equitable principles.

CONCLUSION

The judgment of the court of appeals should be reversed.

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waiting to see whether the harm posed by an act of infringement justifies the cost of litigation. 134 S. Ct. at 1976. To otherwise require patent holders to "sue soon, or forever hold [their] peace" would result in a profusion of litigation over potentially innocuous infringements. *Ibid.*

Respectfully submitted.

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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG, ET AL.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, ET AL.,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF MEDINOL LTD. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONERS

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INTEREST OF *AMICUS CURIAE*[1]

Medinol Ltd. is a medical device company that develops and sells stents, balloon catheters, and other devices commonly utilized in Interventional Cardiology procedures such as coronary repair. Medinol protects its life-saving innovations through the U.S. patent system, and it has an interest in ensuring the patent system remains true to its purpose of promoting technological progress.

Medinol has an immediate interest in this case, arising from the petition for a writ of certiorari it recently filed in this Court. *See Medinol Ltd. v. Cordis Corp.* (No. 15-998). Medinol's petition, which is currently pending, raises the same central legal issue as this case. *Medinol* also filed an *amicus* brief on the merits in the en banc Federal Circuit proceeding below that is the subject of this case.

In its certiorari petition, Medinol explained why the Federal Circuit's ruling should be reversed. In this *amicus* brief, Medinol supplements that argument by discussing how this case fits into the Court's broader statutory interpretation jurisprudence, particularly as it relates to the use of interpretive presumptions and clear-statement requirements.

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[1] The parties have consented to the filing of this *amicus* brief. No counsel for a party authored the brief in whole or in part. No party, counsel for a party, or any person other than *amicus* and its counsel made a monetary contribution intended to fund the preparation or submission of the brief.

INTRODUCTION AND SUMMARY OF ARGUMENT

Petrella v. Metro-Goldwyn-Mayer, Inc., 134 S. Ct. 1962 (2014), holds that *judicially*-created laches defenses in damages actions are impermissible when Congress has enacted a statute of limitations. Once Congress has created a limitations period, only Congress can also create a laches defense. The historic province of laches in damages actions always has been to serve merely as a "gap-filling" measure when Congress has failed to enact a limitations period. *Id.* at 1974.

Proper application of *Petrella* also requires courts to apply a strong presumption—at the least— against inferring that Congress intends to create a laches defense for damages actions when Congress has expressly created a limitations period to govern the timeliness of claims. That strong presumption reflects, in part, how extremely improbable it is, as a matter of both history and policy, that Congress would intend to create simultaneously both a laches defense for damages actions and a statutory limitations period.

First, as a matter of historical practice, Congress appears never to have expressly or intentionally done so. Neither the Court in *Petrella*, nor any of the 18 *amici* and party briefs filed in that case, identified a single congressional statute in which Congress had expressly created both laches and a limitations period for damages actions. Nor is *amicus* aware of any such federal statute. The Patent Act, on respondents' view, would thus be the first and only federal statute to do

so. Moreover, as *Petrella* emphasized, it is also the fact that this Court has "*never* applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period." 134 S. Ct. at 1975 (emphasis added).

Second, as a matter of policy, it is also highly unlikely that Congress would seek to establish a bright-line, uniform rule fixing the timeliness of damages claims and establishing the clear rights of patent holders, only to turn around and hand judges the power to override that uniform rule in their individual discretion.

A strong presumption against concluding that Congress created both a limitations period and a laches defense thus enforces Congress' likely intent. And such a presumption is required by the separation of powers concerns this Court emphasized in *Petrella* as well. As this Court stressed, "courts are not at liberty to jettison Congress' judgment on the timeliness of suit." *Id.* at 1967. Laches "can scarcely be described as a rule for *interpreting* a statutory prescription." *Id.* at 1975 (emphasis added). Yet once Congress expressly prescribes a limitations period, the only proper role for the courts is to interpret the text of that limitations period and any possible exceptions to it. By ensuring that lower federal courts are not too quick to infer that Congress intended to authorize laches despite a limitations period—as the (bare) Federal Circuit majority did here—this strong presumption against such an improbable conclusion helps guarantee that lower courts stay within the proper bounds of federal judicial authority.

In other contexts, this Court has enforced comparably strong presumptions about the proper interpretation of statutes through clear-statement requirements. Rules of clear statement track congressional intent by preventing courts from interpreting legislation in improbable ways unless Congress has left no doubt that it intends to do the highly unusual. Clear-statement rules also promote core principles of constitutional structure by safeguarding well-established divisions of governmental authority.

Whether this Court applies a clear-statement rule or simply a strong presumption against finding a laches defense for damages actions when a limitations period exists, the judgment below should be reversed. All the judges below agreed that § 286 of the Patent Act is a timeliness provision akin to the Copyright Act provision at issue in *Petrella*. All the judges below also agreed that the text of the Patent Act does not mention laches, nor does the legislative history.

In the absence of any express congressional mention of laches, the parties are left picking through shards of extrinsic evidence, such as the best reading of various lower-court cases or the meaning of one commentator's ambiguous, post-enactment remarks. But whatever the "best" reading of any one piece of that evidence, there is certainly no clear statement from Congress that it intended to create laches for damages actions. Nor does this extrinsic evidence rise to the level required to overcome *Petrella*'s strong presumption that Congress does not intend to create both laches and a limitations period for damages actions.

In the Patent Act, Congress did not, for perhaps the first and only time, enact a federal statute that creates both a fixed, statutory limitations period and a laches defense to damages claims.

ARGUMENT

I. The Enactment Of A Limitations Period Creates A Strong Presumption Against The Use Of Laches To Bar Timely Damages Claims.

A. *Petrella* reflects general principles about the proper domain of laches in federal law.

In this Court's own words, *Petrella* was not only a decision about the meaning of the Copyright Act, but about the general "province of laches" under federal law. 134 S. Ct. at 1967-68 (rejecting respondent's position as "contrary to § 507(b) *and* this Court's precedent on the province of laches") (emphasis added). Citing general treatises on remedies, this Court concluded that, when Congress enacts a limitations period, "[t]hat regime leaves 'little place' for a doctrine that would further limit the timeliness" of suit. *Id.* at 1977. (citing 1 D. Dobbs, *Law of Remedies* § 2.6(1), at 152 (2d ed. 1993)). After surveying the historic role of laches, Congress' general practice when enacting limitations periods, and this Court's longstanding laches precedents, the Court "*adhere[d]*" to the general principle that, "in face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief." *Id.* at 1974 (emphasis added).

Indeed, the entirety of the reasoning and analysis in *Petrella* reflects general principles regarding the limited power of federal courts and the appropriate province of laches. These principles are not in any way limited to the context of copyright law. *See* Pet. App. 64a (en banc) (Hughes, J., concurring in part and dissenting in part) ("The Supreme Court's decision in *Petrella* did not depend on policies specific to copyright law. It turned on the conflict between laches and a statutory limitations period, and the longstanding principle that laches cannot bar a claim for legal relief.").

As *Petrella* noted, these principles sound partly in prescripts of statutory interpretation and partly in rules regarding the separation of powers. Laches "can scarcely be described as a rule for *interpreting* a statutory prescription." 134. S. Ct. at 1975. (emphasis added). Thus, when Congress has enacted a limitations period, that settles the matter and "courts are not at liberty to jettison Congress' judgment on the timeliness of suit." *Id.* at 1967 That is why this Court firmly announced that laches "cannot" bar legal relief in such contexts. A congressionally-crafted limitations period "fill[s]" any "hole" that might otherwise have been left for laches. *Id.* at 1967-68. Laches is displaced for damage claims, because the enacted statute of limitations "itself takes account of delay" and expresses Congress' judgment about how long a plaintiff is entitled to wait before concluding that a lawsuit must be filed. *Id.* at 1973; *see also* Pet. App. 65a (Hughes, J., concurring in part and dissenting in part) (noting that "[r]esolving [the] competing policy concerns" involving the time for asserting patent infringement claims "is precisely the type of judgment

left for Congress"); *Lyons P'ship, L.P. v. Morris Costumes, Inc.*, 243 F.3d 789, 798 (4th Cir. 2001) ("Separation of powers principles thus preclude us from applying the judicially created doctrine of laches to bar a federal statutory claim that has been timely filed under an express statute of limitations.").

In *Petrella*, the Court framed the issue as whether the Copyright Act constituted an *exception* to the rule that laches "cannot" bar timely damages actions. But the Court concluded "[t]here is nothing at all 'different' about copyright cases" that made them an exception to the rules that govern other federal statutes. *Petrella*, 134 S. Ct. at 1974 (internal citation omitted). Thus, this Court characterized itself as "adher[ing]" to the general principle that laches cannot be invoked to bar legal relief in the face of a statute of limitations.

Respondents now seek their own exception from this general rule for the Patent Act. But § 286 of the Patent Act must be construed in light of the general principles regarding the proper "province of laches" this Court reaffirmed in *Petrella*. As all the judges below recognized, no relevant distinction exists between the copyright limitations period and § 286. Pet. App.

18a.[2] The enactment of § 286 thus carries with it the general principles of federal law that *Petrella* recognized.

The situation in this case is much the same as that which the Court confronted last Term in *Ross v. Blake*, 136 S. Ct. 1850 (2016). There Congress had supplanted judge-made exhaustion doctrines with a statutory exhaustion provision in the Prison Litigation Reform Act of 1995. As the Court concluded, once Congress supplants judicially-created doctrines with a statutory regime, "Congress sets the rules—and courts have a role in creating exceptions only if Congress wants them to." *Id.* at 1857 The "wide-ranging discretion" entailed in judicially-created exhaustion doctrines "is now a thing of the past." *Id.* at 1858 (citation omitted). The same is true under the Patent

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[2] Congress described § 286 as a "statute of limitations" in the legislative history of the 1952 Patent Act. *See* H.R. Rep. No. 82-7794, at 10 (1952); S. Rep. No. 82-1979, at 9 (1952). Nevertheless, respondents have likened § 286 to "a statute of repose" rather than a statute of limitations. Resp. 24 n.8. By comparison, in the decision below the Federal Circuit characterized § 286 as a "damages limitation" while concluding that "because patent infringement is a continuous tort, there is no relevant functional difference between a damages limitation and a statute of limitations." Pet. App. 17a-18a. Regardless of whether this Court deems § 286 to be a statute of limitations, a damages limitation, or a statute of repose, the general principle remains the same: Congress created a clear legal rule for determining whether damages claims are timely when it enacted § 286. That rule requires courts to presume strongly that Congress did not authorize individual judges to be free to invoke laches to dismiss timely damages actions.

Act, where the statutory limitations period relegates any role for judicially-created laches in damages actions to a thing of the distant past.

B. *Petrella* embodies a strong presumption that statutes of limitations, not laches, define the timeliness of damages claims.

Theoretically, it is conceivable Congress could create both a limitations period and a laches defense to damages actions in the same statute. If Congress clearly enacted provisions that simultaneously did so, the courts would be required to respect such a regime. But for four reasons, the analysis in *Petrella* is best applied by recognizing a very strong presumption—at the least—against concluding that Congress has created such a two-headed creature.

1. First, any such federal statute would be extremely unusual; indeed, we believe it would be unique.[3] In the 18 party and *amici* briefs that were

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[3]Out of an abundance of caution, we note that the Y2KAct, Pub. L. No. 106-37, 113 Stat. 185, 197 (1999), enacted out of concern at the end of the millennium that suits based on "Y2K failures" would cause significant national economic harm, 15 U.S.C. §§ 6601, 6602(1)-(2), mentions the words laches and statute of limitations. But the Act did not create a federal cause of action, nor did it create a federal statute of limitations that applied to either federal or state-law Y2K actions. Instead, certain provisions required a potential plaintiff (except for claims for injunctive relief) to serve notice of intent to file suit and permit the defendant a three-month period to take remedial action or engage in alternative dispute resolution before the plaintiff filed suit. 15 U.S.C. § 6606(a)-(e). Because both legal

filed in *Petrella*, none successfully identified any federal statute in which Congress expressly created both a laches defense and a limitations period for damages actions. Nor did the dissent in *Petrella* identify any such statute. Instead, the dissent and majority disagreed over what the Court had done in the past when Congress had been *silent*. The dissent suggested there were contexts in which this Court "ha[d] *read laches into* statutes of limitations otherwise silent on the topic of equitable doctrines," *Petrella*, 134 S. Ct. at 1982 (emphasis added), but the majority did not agree that the Court had ever gone even as far as that.

Second, not only has Congress never enacted laches alongside a damages limitations period, but this Court has never recognized the existence of the former when a federal statute includes the latter. After surveying the history of laches, *Petrella* concluded that this Court had "never applied laches" to bar timely claims "within a federally prescribed limitations period." *Id.* at 1974-75. That is an exceptionally strong statement about the Court's consistent, unbroken line of decisions dating back at least as far as *Wehrman v. Conklin*, 155 U.S. 314, 326 (1894) ("[i]f the plaintiff at law has brought his action within the period fixed by the statute of limitations, no court can deprive him of his right to proceed.").

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and equitable claims were anticipated to be brought as Y2K actions (*see, e.g.* 15 U.S.C. § 6606(a)(1), (g), (i)-(j)), Congress expressly tolled any pre-existing statutes of limitations and laches defenses during this three-month remedial period. 15 U.S.C. § 6605 (e) (4).

Some seventy years ago, this Court again explained that "[i]f Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter" for purposes of actions at law. *Holmberg v. Armbrecht*, 327 U.S. 392, 395 (1946). That approach carried forward in the ensuing decades, with the Court noting in 1985 that "application of the equitable defense of laches in an action at law would be novel indeed." *Cty. of Oneida v. Oneida Indian Nation*, 470 U.S. 226, 244 n.16 (1985). This consistent practice was reinforced in 2010, when the Court once again underscored that "'[l]aches within the term of the statute of limitations is no defense'" to actions "'at law.'" *Merck & Co. v. Reynolds*, 559 U.S. 633, 652 (2010) (quoting *United States v. Mack*, 295 U.S. 480, 489 (1935)). As *Petrella* explained three Terms ago, that is because laches "is a defense developed by courts of equity," 134 S. Ct. at 1973, whose "principal application was, and remains, to claims of an equitable cast for which the Legislature has provided no fixed time limitation." *Id.* The historic function of laches under federal law is simply to serve as a "guide when no statute of limitations control[s] the claim." *Id.* at 1975. Thus, it would be a novel departure from the uniform practice of *both* Congress and this Court to read into the Patent Act a laches defense to damages actions in the face of a statutory limitations period.

Third, Congress itself was well aware around the time it enacted the Patent Act that courts do not permit the use of laches in damages actions when Congress enacts a limitations period. The parties agree that Congress did not specifically say anything about a laches defense at the time the 1952 Patent Act was

enacted. But a few years later, in the course of enacting the closely-related Copyright Act, Congress did specifically explain its view that laches does not apply to cut off timely damages actions when Congress enacts a limitations period. Ironically, Congress expressed this understanding when it characterized precisely what it had done in the Patent Act a few years earlier.

In both the Senate and House Judiciary Committee reports accompanying the 1957 amendments to the Copyright Act, which added the statute of limitations construed by this Court in *Petrella*, Congress discussed the legal consequences of adopting a statute of limitations. In identical terms, the reports recognized that "the courts generally do not permit the intervention of equitable defenses or estoppel where there is a limitation on the right." *See* S. Rep. No. 85-1014, at 3 (1957); H.R. Rep. No. 85-150, at 2 (1957). Written a decade after *Holmberg*, these reports reflected the rule that this Court had recently reaffirmed there. *See generally McNary v. Haitian Refugee Ctr., Inc.*, 498 U.S. 479, 496 (1991) ("It is presumable that Congress legislates with knowledge of our basic rules of statutory construction.").

As these committee reports further explained, statutes of limitations at the time were understood as being of two types, one which limited "the substantive right" and one which only limited "the remedy." *See* S. Rep. No. 85-1014, at 3; H.R. Rep. No. 85-150, at 2. The former was said to extinguish the right of action "at the end of the period and the courts usually have no

jurisdiction with regard to actions that are not instituted within the appropriate period."[4] *See* S. Rep. No. 85-1014, at 3; H.R. Rep. No. 85-150, at 2. Most importantly for present purposes, the reports reflected Congress' clear understanding that the limitations period in the recently enacted Patent Act was indeed a "limitation upon the right."[5] Thus, not only did Congress recognize the general principle that courts do not apply laches to bar timely damages actions when Congress enacts a limitations period. *Congress also specifically understood itself to have adopted a statute of limitations in the Patent Act that would not permit the use of laches to bar damages actions under the Patent Act.*[6]

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[4]Both Reports noted that, "[u]nder the remedial type" of statute of limitations, "the basic right is not extinguished, but the limitation is applied merely to the remedy." *See* S. Rep. No. 85-1014, at 3; H.R. Rep. No. 85-150, at 2.

[5]"The committee has not been unmindful that the 6-year statute of limitations in the Patent Act ... is a limitation upon the substantive right rather than upon the remedy." H.R. Rep. No. 85-150, at 2; *see also* S. Rep. No. 85-1014, at 3 (quoting the House Report discussion of the distinctions between limitations upon substantive rights and remedies, including the characterization of the 6-year statute of limitations in the Patent Act, and noting "[t[he committee wishes to emphasize that it is the committee's intention that the statute of limitations, contained in this bill, is to extend to the remedy of the person affected thereby, and not to his substantive rights").

[6]Indeed, Congress in those reports described the limitations period in the Copyright Act as only a limitation on the remedy, in contrast with the broader limitations period in the Patent Act. *See* S. Rep. No. 85-1014, at 3; H.R. Rep. No. 85-150, at 2. It would be strange indeed were the Court to conclude that the more

Finally. there are good and obvious policy reasons that Congress has apparently never enacted a laches defense for damages actions at the same time it created a statute of limitations. SCA's brief on the merits demonstrates how important it was to Congress when it enacted the Patent Act's limitations period to have a rule that would be "uniform throughout the country." SCA Br. at 46. For Congress to permit individual judges to exercise equitable discretion to decide, on a case-by-case basis, whether a claim for damages timely under the Act should nonetheless be barred as untimely would drastically undermine the certainty and uniformity that it was the very *raison d'etre* of § 286 to achieve. *See Petrella* at 1975 (noting that to permit individual judges to set a time limit other than that prescribed by Congress "would tug against the uniformity Congress" seeks to achieve when enacting a statute of limitations).

For all these reasons of history and policy, respondents bear a heavy burden in trying to prove that Congress in the Patent Act created a laches defense to damages actions at the same time it created a limitations period.

2. In comparable situations, this Court has often recognized strong interpretive presumptions about how federal statutes ought to be read. These pre-

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encompassing limitations period in the Patent Act—designed to limit "the substantive right" itself—somehow permitted laches to be invoked under the Patent Act, when Congress clearly understood the Patent Act's provision to be more comprehensive and therefore to cut off laches in damages actions.

sumptions reflect Congress' most likely intent regarding a recurring issue and provide clear guidance to courts about how to address a category of issue. Rather than encouraging courts to speculate from meager evidence about Congress' intent, these presumptions provide a quasi-rule like structure to judicial decision-making. Such presumptions also furnish a stable background against which Congress can legislate.

Thus, with respect to whether legislation should be read to apply extraterritorially, it is well-established that Congress "ordinarily legislates with respect to domestic, not foreign, matters." *Morrison v. Nat'l Austl. Bank Ltd.*, 561 U.S. 247, 255 (2010); *see also Bond v. United States*, 134 S. Ct. 2077, 2088 (2014). Similarly. legislative enactments "ordinarily" operate prospectively rather than retroactively. *Landgraf v. USI Film Prods.*, 511 U.S. 244, 272 (1994). That fact—along with related fair-notice concerns—explains why the Court has long embraced a presumption that a statute does not extend liability retroactively. *See id.* at 280; *id.* at 272 ("Because it accords with widely held intuitions about how statutes ordinarily operate, a presumption against retroactivity will generally coincide with legislative and public expectations.").

Strong interpretive presumptions apply in numerous other contexts as well. *See, e.g., Carcieri v. Salazar*, 555 U.S. 379, 395 (2009). (presumption against repeals by implication); *Permanent Mission of India to the United Nations v. City of New York*, 551 U.S. 193, 199–200 (2007) (presumption that statutes

are to be interpreted to be consistent with international law and treaties); *Musacchio v. United States*, 136 S. Ct. 709, 716–17 (2016) (presumption that statutes of limitations and filing deadlines should be interpreted as non-jurisdictional); *Vt. Agency of Nat. Res. v. United States ex rel. Stevens*, 529 U.S. 765, 780 (2000) (presumption that the statutory term "person" does not include the sovereign); *see generally* Antonin Scalia & Bryan A. Garner, *Reading Law* ¶¶ 4, 15, 25, 41, 42, 43, 44, 46, 52, 55 (2012) (discussing various presumptions the Court has recognized).

The reasoning and analysis in *Petrella* similarly support a strong presumption against concluding that Congress has implicitly created a laches defense to damages actions while expressly enacting a limitations period. For the reasons of history and policy discussed above, it is highly unlikely that Congress ever *implicitly* intends to do so; this Court has never reached that conclusion. It is possible that Congress might choose to create laches and a limitations period together, but in that event, Congress would almost certainly make clear in a statute's text or history that it was taking that highly unusual step. *Petrella* is thus best applied by recognizing that when Congress enacts a defined limitations period—as it did in § 286 of the Patent Act—a strong presumption arises that laches cannot bar damage claims within that period.

Applying that presumption, the limited bits of evidence respondents offer to support their inferences about the Patent Act are plainly insufficient. As SCA's brief on the merits demonstrates and as Part III below further amplifies, the best interpretation of

the Act's relevant provisions, with or without this presumption, is that they do not create a laches defense. Further, even if respondents had presented a possible interpretation of the Patent Act, doing so would have been insufficient. As *Morrison* recognized, "possible" interpretations are not enough to overcome a statutory presumption—including the presumption against interpreting statutes to create a laches defense when Congress has enacted a limitations period. *Morrison*, 561 U.S. at 264 ("[P]ossible interpretations of statutory language do not override the presumption against extraterritoriality.").

II. A Clear Statement From Congress Should Be Required To Overcome The Strong Presumption That § 286 Displaced Laches For Damages Claims.

To overcome the strong presumption that the Patent Act did not create both laches and limitations periods for damages actions, respondents should be required to show a clear statement from Congress expressing an intent to create this hybrid creature. Yet as every judge on the Federal Circuit recognized, no such clear statement exists in the text of the Patent Act—indeed, not even the Act's legislative history contains such a statement. Moreover, the only time Congress directly addressed the issue of laches under the Patent Act—in the committee reports concerning the Copyright Act a few years later—Congress clearly stated that it did *not* intend to permit laches to be invoked in damages actions under the Patent Act.

A. The clear-statement requirement reflects Congress' intent in enacting § 286.

This Court has long held, and recently reaffirmed, that Congress is to be taken as having legislated consistently with traditional principles of equitable remedies. *See, e.g.*, *Nken v. Holder*, 556 U.S. 418, 433 (2009); *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006); *Hecht Co. v. Bowles*, 321 U.S. 321, 329 (1944). Congress can choose to alter the law of remedies, *Jesinoski v. Countrywide Home Loans, Inc.*, 135 S. Ct. 790, 793 (2015), but it must speak clearly to do so. *See Nken*, 556 U.S. at 433. Otherwise, courts are expected to read federal statutes as invoking, rather than altering, traditional principles regarding equitable remedies. *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 320 (1982). As *Petrella* holds, laches has traditionally been an equitable remedy that does not apply to damages actions when Congress enacts a limitations period.

Many of this Court's presumptions about statutory meaning similarly are applied through clear-statement requirements. The presumption against extraterritorial application of laws, for example, can be overcome only if "'there is the affirmative intention of the Congress clearly expressed' to give a statute extraterritorial effect." *Morrison*, 561 U.S. at 255 (2010) (quoting *EEOC v. Arabian Am. Oil Co.*, 499 U.S. 244, 248 (1991)). Thus, "[w]hen a statute gives no clear indication of an extraterritorial application, it has none." *Id.*

The presumption against retroactivity is enforced in the same way: Overcoming it requires a showing of

"clear congressional intent" to extend new liability to past actions. *Landgraf*, 511 U.S. at 280. Similarly, given the presumption that statutes of limitations and other filing deadlines are non-jurisdictional, this Court has instructed courts to "treat a time bar as jurisdictional only if Congress has 'clearly stated' that it is." *Musacchio*, 136 S. Ct. at 717 (2016) (quoting *Sebelius v. Auburn Reg'l Med. Ctr.*, 133 S. Ct. 817, 825 (2013)); *see also United States v. Kwai Fun Wong*, 135 S. Ct. 1625, 1632 (2015) ("[T]he Government must clear a high bar to establish that a statute of limitations is jurisdictional.").

These and other clear-statement requirements rest on two principles. First, they reflect the expected and ordinary meaning of statutes. *See generally* Antonin Scalia & Bryan A. Garner, *supra*, ¶¶ 38-44 (cataloguing presumptions and canons that are based on the typical expected meaning of statutes). Before concluding that Congress intended to do something that departs from long-settled practice and understandings, the Court requires that Congress clearly express its intent to take such an unusual, unexpected step. Second, these clear-statement requirements enforce fundamental structural principles about the proper boundary between various governmental institutions, including that between Congress and the courts. *See generally* William Eskridge Jr., *Interpreting Law: A Primer on How to Read Statutes and the Constitution* 12 (2016) (governance canons "apportion institutional responsibilities, where the Court sets forth the duties of umpires (courts) and other players (agencies and legislators) in the ongoing elaboration of statutory schemes.").

The same considerations that justify clear-statement requirements in other contexts are present here. As discussed above, the long-established expected meaning of the enactment of a limitations period is that it precludes a role for laches to cut off damages actions timely filed.

Indeed, Congress itself understood the Patent Act to have been enacted with this default rule precisely in mind, as discussed above regarding the legislative history of the Copyright Act. Congress recognized there the general legal principle that enactment of a substantive statute of limitations precludes the use of laches in damages actions and that this was what Congress had done when enacting § 286 of the Patent Act.

Thus, absent a clear congressional statement to the contrary, a statutory limitations period should be understood to preclude laches in actions for damages. By enacting an express limitations period for patent infringement claims in § 286, Congress created a strong presumption, at the least, that laches cannot be invoked to bar timely damages claims. Overcoming that presumption would require a clear statement that Congress intended to take the highly unusual step of making laches available notwithstanding the limitations period it enacted in § 286.

B. The clear-statement requirement also safeguards the separation of powers between Congress and the federal courts.

Requiring a clear congressional statement to create laches, when Congress has created a limitations

period, is also necessary to enforce the appropriate allocation of authority between courts and Congress that this Court emphasized in *Petrella*. That decision establishes the proper "province of laches" in federal law

Before courts permit the province of laches to invade the domain of legal claims for damages, they should be sure that Congress actually intended such an odd result. A clear-statement requirement ensures that courts will not be too quick to infer that Congress created a laches defense alongside a limitations period. Statutes of limitation embody Congress' considered policy judgment about how to balance the competing rights of patent holders and potential defendants.[7] If courts were wrongly to invoke laches to dismiss damages claims that Congress has authorized, the courts would effectively "jettison Congress' judgment on the timeliness of suit." *Petrella*, 134 S. Ct. at 1967. That problem is all the more acute with laches, a highly discretionary doctrine that individual judges apply on a case-by-case basis. The limitations period in § 286 was specifically enacted to ensure uniformity in application of the Patent Act and to create

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[7] As state supreme courts have noted: "[m]odern statutes of limitations ... embody the notion that fixing the periods for bringing damages actions is a legislative function.... Thus, to import laches as a defense to actions of law would alter the balance of power between legislatures and courts regarding the timeliness of claims." *Doe v. Hartford Roman Catholic Diocesan Corp.*, 317 Conn. 357, 401-02 (2015) (*quoting Naccache v. Taylor*, 72 A.3d 149, 156 (D.C. Ct. App. 2013).

a clear, bright-line rule that fixes the rights and defenses of patent litigants. *See* SCA Br. at 46. Individual judges should not be permitted to undermine that rule without a clear congressional green light that Congress actually so intended.

Absent a clear-statement requirement, the risk that lower federal courts will not limit laches to its proper province and respect congressional limitations periods is amply demonstrated by this case. The majority in the Federal Circuit disparagingly characterized § 286 as an "'*arbitrary*" limitations period that would be better off if judicially adjusted based on "'the equities between the particular parties.'" Pet. App. 10a (quoting *A.C. Aukerman Co. v. R.L. Chaides Const. Co.*, 960 F.2d 1020, 1030 (Fed. Cir. 1992)). That perspective betrays a profound misunderstanding of the legislative and judicial roles.

Protecting Congress' sphere of authority entails refusing to override its policy judgment about the timeliness of suit without a clear expression of congressional consent. In this context, a clear-statement requirement not only reflects Congress' expected meaning regarding limitations periods such as § 286, it also enforces the constitutional allocation of power between courts and Congress. *See P.R. v. Franklin Cal. Tax-Free Trust*, 136 S. Ct. 1938, 1949 (2016) ("[O]ur constitutional structure does not permit this Court to 'rewrite the statute that Congress has enacted.'"). (citation omitted).

The use of clear-statement rules to safeguard the constitutional framework is another familiar feature of the Court's statutory interpretation jurisprudence.

Thus, "if Congress intends to alter the 'usual constitutional balance between the States and the Federal Government,' it must make its intention to do so 'unmistakably clear in the language of the statute." *Will v. Mich. Dep't of State Police*, 491 U.S. 58, 65 (1989) (quoting *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234, 242 (1985)); *see also Raygor v. Regents of Univ. of Minn.*, 534 U.S. 533, 544 (2002) ("In such cases, the clear statement principle reflects 'an acknowledgement that the States retain substantial sovereign powers under our constitutional scheme, powers with which Congress does not readily interfere.'") (quoting *Gregory v. Ashcroft*, 501 U.S. 452, 461 (1991)). Similarly, the Court "presume[s] federal statutes do not abrogate state sovereign immunity. impose obligations on the States pursuant to section 5 of the Fourteenth Amendment, or preempt state law." *Bond v. United States*, 134 S. Ct. 2077, 2088–89 (2014) (internal citations omitted).

These presumptions act as bulwarks against judicial interpretations that would alter the traditional structural relationship between governance institutions without compelling evidence that Congress intended such dramatic consequences. *See id.* at 2088 (noting that "[a]mong the background principles of construction that our cases have recognized are those grounded in the relationship between the Federal Government and the States under our Constitution"); *United States v. Bass*, 404 U.S. 336, 349 (1971) ("In traditionally sensitive areas, such as legislation affecting the federal balance, the requirement of clear statement assures that the legislature has in fact faced, and intended to bring into issue, the critical matters involved in the judicial decision.").

The presumption that a statute of limitations displaces laches for damages claims serves the same purpose. Requiring a clear statement to overcome the presumption ensures that Congress' authority over the timeliness of federal claims will not be usurped without its consent. A clear congressional statement is required to ensure that federal courts do not mistakenly seize authority that, as *Petrella* holds, rightfully resides with Congress.

III. The Patent Act Does Not Contain A Clear Statement That Laches Can Bar Damage Claims That Are Timely Under § 286.

A. Neither the Act nor its history contains anything like a clear statement authorizing courts to invoke laches in damages actions.

As every judge on the Federal Circuit acknowledged, neither the Patent Act nor even its legislative history expresses a clear statement that laches is permitted in damages cases. Notably, the majority below confessed forthrightly: "[T]he statutory text says nothing on the applicability of laches to legal relief. Similarly, the legislative history is silent on the meaning of laches." Pet. App. 23a. If a clear congressional statement endorsing laches under the Patent Act for damages actions is required, that confession is the end of the matter.

Even if this Court merely presumes that laches is unavailable in damages actions given the express limitations period in § 286, the basis on which the Federal Circuit read laches into the Act is much too thin

to overcome that presumption. The Federal Circuit took an extremely cavalier attitude toward the importance of the text of the Act; that court did not even bother to identify the specific textual language in the Act that purportedly created a laches defense. Instead, the majority merely gestured generally toward the various defenses set forth in § 282—without determining *which* of these defenses purportedly codified laches. *See* Pet. App. 49a-50a (Hughes, J., concurring in part and dissenting in part) (noting that "the majority does not identify which particular term encompasses a defense of laches"). Repeatedly in recent years, this Court has warned against such a loose approach to statutory "interpretation." *See, e.g., Ross*, 136 S. Ct. at 1856 (reversing because a lower court "made no attempt to ground its analysis in the [Act's] language").

Nor does the Patent Act's legislative history support the Federal Circuit's latitudinous "reading." The House and Senate Reports that accompanied the introduction of § 282 noted simply that the provision codified a presumption of patent validity previously recognized by the courts, while adding that "[t]he defenses to a suit for infringement are stated in general terms, changing the language in the present statute, but not materially changing its substance." *See* H.R. Rep. No. 82-7794, at 10; S. Rep. No. 82-1979, at 9. The "present statute" those reports referenced was Rev. Stat. 4921, which had been enacted in 1897 and said nothing about applying an equitable laches defense in legal actions. Indeed, it would have been odd for that Act to do so, because Congress had included within it a six-year federal limitations period for patent in-

fringement actions precisely for the purpose of ensuring uniformity regarding the timeliness of suit. *See* Act of Mar. 3, 1997, ch. 391, § 2, 29 Stat. 692; H.R. Rep. No. 940, at 2 (1896); *see also* Pet. App. 53a (Hughes, J., concurring in part and dissenting in part) ("[N]othing in the pre-1952 statutes suggests an authorization of laches as a bar to legal damages requested within a limitations period.").

Respondents apparently recognize that this Court would have no tolerance for the Federal Circuit's failure to anchor its "interpretation" in any specific textual provision of the Act. Thus, in an effort to resuscitate the Federal Circuit's holding, respondents contend that laches is actually hidden beneath the surface of § 282(b)'s use of the word "unenforceability." *See* Resp.16.[8]

But this effort to read a laches defense into the term "unenforceability" fails at the outset as a textual matter. Even if laches could affect some of a patent holder's claims, such as those seeking equitable relief, the patent would still remain enforceable. The Federal Circuit itself recognizes as much. *See Aukerman*, 960 F.2d at 1030 ("Recognition of laches as a defense ... does not affect the general enforceability of the patent against others."). Laches is a targeted "doctrine focused on one side's inaction and the other's legitimate reliance, [which] may bar long-dormant claims for equitable relief." *City of Sherrill v. Oneida Indian Nation*, 544 U.S. 197, 217 (2005). Even where

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[8] This brief will abbreviate the brief of Respondent "Resp."

laches is properly recognized, it does not lead to the general unenforceability of a patent.

In contrast, by 1952 it was well-established that some defenses, such as misuse and fraud on the patent office (which later matured into the modern defense of inequitable conduct), could indeed render a patent unenforceable and prevent recovery of *either* equitable or legal relief. *See Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 493 (1942) (holding that until the consequences of the misuse of a patent "have been dissipated" the patent can be unenforceable); *Mercoid Co. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 666–69 (1944) (applying misuse to render unenforceable claims of contributory infringement); *Precision Instrument Mfg. Co. v. Auto. Maint. Mach., Co.*, 324 U.S. 806, 816 (1945) (concluding that conduct that "does not conform to minimum ethical standards ... does not justify [an] attempt to assert and enforce ... perjury-tainted patents and contracts"); *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 250 (1944) ("The total effect of all this fraud, practiced both on the Patent Office and the courts, calls for nothing less than a complete denial of relief ... for the claimed infringement of the patent thereby procured and enforced").

Similarly, it was clear by 1952 that patents become unenforceable to collect further damages or to obtain prospective equitable relief when they expire. *See Scott Paper Co. v. Marcalus Mfg.*, 326 U.S. 249, 256 (1945) ("[A]ny attempted reservation or continuation in the patentee or those claiming under him of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the

policy and purpose of the patent laws."). Thus, forward-looking royalty agreements are unenforceable once a patent's term ends. *See Brulotte v. Thys Co.*, 379 U.S. 29, 33 (1964) ("[A] patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*."); *Kimble v. Marvel Entm't, L.L.C.*, 135 S. Ct. 2401, 2413 (2015) (recognizing the "categorical principle that all patents, and all benefits from them, must end when their terms expire").

Because it was well-established that patent misuse could lead to the unenforceability of a patent (and because that called into question whether claims for contributory infringement could be asserted consistent with the doctrine on misuse) Congress did extensively discuss the relationship between patent misuse and enforceability in the years leading up to the Patent Act of 1952. *See, e.g.*, *Patent Law Codification and Revision Hearings* on H.R. 3760 *before Subcommittee of the Committee on the Judiciary House of Representatives*, 82nd Cong., 165 (1951) (statement of Wilbur L. Fulgate); *see also* 35 U.S.C. § 271(d). But in none of that discussion did Congress similarly discuss the relationship between laches and unenforceability, let alone any role for laches as a defense to damages claims. No party has identified any statement from Congress or this Court that "unenforceability" as used in § 282(b) was designed to expand laches to bar recovery for damages that occur within the express limitations period set forth in § 286.

Moreover, it is easy to reconcile the post-enactment commentary of P.J. Federico, on which the Federal Circuit mistakenly relied, with Congress' own

position a few years later that laches was not, in fact, intended to supplant the 6-year statute of limitations in § 286. *See* S. Rep. No. 85-1014, at 3; H.R. Rep. No. 85-150, at 2. Mr. Federico's commentary only refers to a role for laches under the Patent Act, such as in equitable actions, but it does not say anything about whether Congress intended laches to be available in damages actions within § 286's limitation period. *See* Pet. App. 23a (acknowledging that Mr. Federico's commentary says nothing about the use of laches to bar damages claims). In the Copyright Act legislative history discussed above, Congress recognized and endorsed the general principle that laches is not generally available when a statute of limitations exists (and specifically not under the Patent Act). Mr. Federico's commentary is perfectly consistent with the long-standing practice and doctrine that laches is available in equitable actions, but not in damages actions when a statutory limitations period exists.

At the end of the day, it would have been easy for Congress to include a laches defense in the Patent Act had it wished to do so. For a template, Congress need have looked no further than another intellectual-property statute, the Lanham Act, which expressly enumerates laches as an available defense in trademark disputes. *See* 15 U.S.C. § 1115(b)(9) (listing "equitable principles, including laches, estoppel, and acquiescence" as defenses). Of course, as this Court recognized in *Petrella*, the Lanham Act contains no statute of limitations, which leaves a gap for laches to fill. *See Petrella*, 134 S. Ct. at 1974 n.15 ("In contrast to the Copyright Act, the Lanham Act ... contains no statute of limitations, and expressly provides for defensive use of equitable principles, including

laches.'"). The combination of (a) no statute of limitations and (b) an express mention of laches demonstrates Congress' clear intent to give laches an important role in determining the timeliness of trademark claims.

In stark contrast, the Patent Act *does* contain a statutory limitations period. And the Patent Act *does not* say anything about laches. Just as the Lanham Act expressly makes laches available, the Patent Act's structure, text, and history preclude laches in damages actions under the Patent Act.

B. Congress has done nothing to rebut the presumption against laches in the years since it enacted § 286.

Absent any clear support for its position in the Patent Act's text or history, respondents turn in another direction. They lean heavily on the Federal Circuit's 1992 decision in *Aukerman*, which at the time it was decided contradicted this Court's case law by endorsing laches as a bar to damage actions. *See Aukerman*, 960 F.2d 1020 (en banc). According to the respondents, by running roughshod over this Court's teachings and ignoring the text of the Patent Act, *Aukerman* nonetheless put the burden on Congress to reiterate what § 286 already makes clear: that damages are recoverable for six years following patent infringement, which leaves laches with no role to play. *See* Resp. 22–23.

Respondents' argument fails on multiple fronts. Most importantly. it urges a reading of the Patent Act that conflicts with the statute's plain text. Section 286

reflects Congress' explicit judgment about the timeliness of damage claims. Moreover, the Act does not include a word about laches nor any other language that can legitimately be construed to encompass a laches defense for damages claims. As this Court noted just a few Terms ago, any argument that lower-court practice can override clear statutory text "trips at the starting gate" for a fundamental reason: The courts have "no warrant to ignore clear statutory language on the ground that other courts have done so." *Milner v. Dep't of the Navy*, 562 U.S. 562, 576 (2011). The Patent Act's text is thus an "obvious trump" to the argument that Congress implicitly ratified the Federal Circuit's untenable reading just by failing to repeat what Congress had said already in § 286. *See Brown v. Gardner*, 513 U.S. 115, 121 (1994) ("There is an obvious trump to the reenactment argument ... in the rule that '[w]here the law is plain, subsequent reenactment does not constitute an adoption of a previous administrative construction.'") (quoting *Demarest v. Manspeaker*, 498 U.S. 184, 190 (1991)). When statutory language is clear, searching for implicit congressional endorsements of contrary judicial practices "is hardly necessary." *United States v. Ron Pair Enters., Inc.*, 489 U.S. 235, 241–43 (1989); *see also Zuber v. Allen*, 396 U.S. 168, 185 n.21 (1969) ("The verdict of quiescent years cannot be invoked to baptize a statutory gloss that is otherwise impermissible."); *Jones v. Liberty Glass Co.*, 332 U.S. 524, 533–34 (1947) (noting, in response to an argument that "various lower federal courts" had interpreted a statute in a particular way, that "the doctrine of legislative acquiescence is at best only an auxiliary tool for use in interpreting ambiguous statutory provisions").

Even if the text of the Patent Act did not directly settle the matter, the respondents' reliance on *Aukerman* would be unavailing. From the moment it issued in 1992, *Aukerman* was directly inconsistent with this Court's decisions. *Petrella* highlighted this point: "Both before and after the merger of law and equity in 1938, this Court has cautioned against invoking laches to bar legal relief." 134 S. Ct. at 1973 (citing, *Holmberg*, 327 U.S. at 395-96). Thus, notwithstanding *Holmberg* and the other cases cited in *Petrella*, respondents ask this Court to assume that Congress implicitly ratified a circuit-court decision that *contradicted well-established Supreme Court precedent*.

If Congress is to be treated as having implicitly ratified any corpus of law, it must surely be decisions of this Court, not a lower court decision in conflict with this Court's teachings. No decision of this Court, of course, authorizes the bizarre principle that this Court's decisions are to be treated as having *less* authority than those of lower courts. Perhaps even more importantly, there is no need to guess here about what Congress endorsed: as discussed above, Congress understood that, when it enacted the limitations period for damages actions in the Patent Act, that meant under longstanding doctrine that laches had no role. *See supra*, 11-13.

The flaws in respondents' theory are further underscored by their own brief in opposition to certiorari, which conflates decisions of this Court with those of lower courts. That brief quotes liberally from decisions recognizing that, when *this* Court definitively interprets a statute, such an interpretation is rarely to be revisited. *See* Resp. 23. But *Kimble v. Marvel*

Entm't and *North Star Steel Co. v. Thomas* both dealt with the implications of this Court's precedents. *See* 135 S. Ct. 2401, 2409 (2015) (emphasis added) ("All *our* interpretive decisions ... effectively become part of the statutory scheme."); 515 U.S. 29, 34 (1995) (noting that when this Court's practice is longstanding and settled, "'it is not only appropriate but also realistic to presume that Congress was thoroughly familiar with [our] precedents ... and that it expect[s] its enactment[s] to be interpreted in conformity with them'") (quoting *Cannon v. Univ. of Chi.*, 441 U.S. 677, 699 (1979)). And *Microsoft Corp. v. i4i Limited Partnership* gave credence to the Federal Circuit's statutory interpretation only upon noting its consistency with this Court's "authoritative" determination. 564 U.S. 91, 101 (2011).

The Federal Circuit is, most assuredly, not the Supreme Court. This Court has made clear already that the America Invents Act (AIA), 35 U.S.C. § 100 *et seq.*, does not implicitly ratify every decision of the Federal Circuit. *See Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1927 (2016). And because *Aukerman* contravened this Court's case law even when decided, it would hardly be proper to treat Congress as having ratified *Aukerman*.

In addition, the Federal Circuit provided no evidence that Congress ever addressed *Aukerman* one way or another. In the AIA, Congress said nothing at all, in either the Act's text or legislative history, indicating any intention to endorse *Aukerman* or to adopt a particular view of laches. That makes the AIA's passage "without significance" to the availability of laches in damage actions. *See Brown*, 513 U.S. at 122

(quoting *United States v. Calamaro*, 354 U.S. 351, 359 (1957)). ("[T]he record of congressional discussion preceding reenactment makes no reference to the [applicable administrative] regulation, and there is no other evidence to suggest that Congress was even aware of the [agency's] interpretive position. 'In such circumstances we consider the ... re-enactment to be without significance.'"). This Court has described itself as "loath to replace the plain text and original understanding of a statute" unless there is "overwhelming evidence of acquiescence" by Congress. *Solid Waste Agency of N. Cook Cty. v. U.S. Army Corps of Eng'rs*, 531 U.S. 159, 169 n.5 (2001); *cf. Aaron v. SEC*, 446 U.S. 680, 694 n.11 (1980) (holding that, where the "legislative consideration" of subsequent enactments "was addressed principally to matters other than that at issue here," Congress' failure to overturn an administrative interpretation "falls far short of providing a basis to support a" statutory construction "so clearly at odds with its plain meaning and legislative history"). In this case, no concrete evidence exists of Congress' acquiescence to the Federal Circuit's approach to laches in damages actions, let alone "overwhelming evidence."

In the end, respondents' "evidence" is insufficient to rebut the strong presumption and long historical record establishing that enactment of a statute of limitations precludes a role for laches in damages actions. Congress sought to eliminate case-by-case judicial discretion when it enacted a uniform time period for recovering damages for patent infringement. By supplanting Congress' judgment with a judicially-

created laches defense, the Federal Circuit (bare) majority contradicted Congress' intent and overstepped the bounds of judicial authority.

Medinol was an inventor of one of the most significant medical advances in treating and preventing coronary disease, the coronary stent. It is exactly the kind of entity Congress sought to encourage and protect when the Patent Act entitled patent holders to seek damages against infringers within the limitations period of § 286. Correcting the Federal Circuit's error would ensure that right is properly enforced, as Congress intended.

CONCLUSION

For the foregoing reasons, the Federal Circuit's decision should be reversed.

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ECORD AND BRIEFS

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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
AND SCA PERSONAL CARE, INC.,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC,
FIRST QUALITY HYGIENIC, INC., FIRST QUALITY
PRODUCTS, INC. AND FIRST QUALITY
RETAIL SERVICES, LLC,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR *AMICUS CURIAE* ROCHE MOLECULAR SYSTEMS, INC. IN SUPPORT OF RESPONDENTS AND URGING AFFIRMANCE

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INTEREST OF *AMICUS CURIAE*[1]

Roche Molecular Systems, Inc., is an affiliate of F. Hoffmann-La Roche Ltd. ("Roche"), the world's largest biopharmaceutical company and one of the world's leading research-focused healthcare groups in the fields of pharmaceuticals and diagnostics. For more than 100 years, Roche has been a pioneer in the discovery and development of novel healthcare solutions, including leading biopharmaceuticals, cancer medicines and *in vitro* diagnostics (IVD) systems. Twenty-four medicines developed by Roche are included in the World Health Organization's "Model Lists of Essential Medicines," among them life-saving antibiotics, antimalarial drugs and chemotherapeutic agents. Roche's broad line of oncology, virology, microbiology and blood screening tests are used by researchers, hospitals, laboratories and blood banks around the world.

As both a patent holder and licensee of patented biopharmaceutical and diagnostic technologies, Roche has a uniquely balanced perspective on the issues raised in this litigation. Roche invests billions of dollars annually in research and development for its pharmaceutical and diagnostic technologies. Patent protection is necessary

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1. Pursuant to Supreme Court Rule 37.6, *amicus curiae* states that no counsel for any party authored this brief in whole or in part, and that no person or entity other than *amicus curiae* or its counsel made a monetary contribution to the preparation or submission of this brief. Counsel of record for Petitioners in this case has filed a letter pursuant to Supreme Court Rule 37.3(a) reflecting consent to the filing of *amicus curiae* briefs in support of either party. Counsel of Record for Respondents consented in writing to the filing of this brief.

not only to prevent free-riding on Roche's substantial investments, but also to incentivize innovation in areas that hold the greatest promise for improving treatment and facilitating diagnostic decisions. Roche recognizes, however, that an environment that fosters innovation requires more than just patent protection. It also requires rules and norms that facilitate early disclosure and dissemination of patented technologies, as well as fairness in how these rules and norms are established and followed by those in the pharmaceutical industry. The traditional principle of laches, that patent rights be asserted in a timely fashion so that the market is not lulled into relying on a patentee's inaction, is just such a rule. The questions presented in this case are therefore of great significance to Roche and to the biotechnology industry as a whole.

SUMMARY OF ARGUMENT

The case before the Court raises the question of whether the laches defense is available to bar claims for damages under the Patent Act, in light of this Court's decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014). The Federal Circuit recognized the availability of laches as a defense to damages claims in unreasonably-delayed patent infringement actions in *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028-1032 (Fed. Cir. 1992). *Amicus* respectfully submits that the defense of laches serves an important purpose in balancing the equities between a manufacturer, acting in a good-faith belief that her activities did not infringe a patentee's monopoly, and a diligent patent owner seeking to enforce her patent.

Compared to allegations of copyright infringement where independent creation is a defense, it is often much harder for a good-faith manufacturer to ascertain whether a patentee can claim with any justice that a new product infringes its patent, and whether such a claim could be successfully litigated against the manufacturer. Indeed, the ultimate risk to accused infringers is often only fully understood after claim construction at trial.

Laches is particularly important in fields subject to complex regulatory schemes. Such regulatory processes significantly add to the expense of the research, development, and patenting of innovative therapies and medicines. A good-faith manufacturer that, at enormous cost, develops a product and markets it for years without action from a knowing patentee should be able to reasonably conclude that, after a certain period of time, it no longer faces the risk of an infringement claim.

Courts have effectively utilized the laches defense to punish patent-troll abuses embodied in unreasonable delays in bringing suit. *Amicus* warns that removing the laches defense may undo such efforts and could lead to unexpected results that could stifle growth, unjustly enrich dilatory patentees, and eliminate life-saving drugs and medical devices from the marketplace. Furthermore, without the defense of laches, patent trolls will be unrestrained from bypassing Congress's intent when it created the Patent Term Restoration provision under 35 U.S.C. § 156.

Regardless of how this Court chooses to reach its decision, it is clear that preserving laches as an equitable defense to patent infringement maintains

the correct balance of equities by protecting good-faith manufacturers, and the public at large, without causing undue prejudice to diligent patent owners.

ARGUMENT

I. PRESERVING THE LACHES DEFENSE IN PATENT INFRINGEMENT ACTIONS IS EQUITABLE AND FAIR

As a matter of policy and in the interests of fairness, those who are granted a monopoly under the patent system have an obligation to enforce their rights in a timely manner. *See, e.g., Advanced Hydraulics, Inc. v. Eaton Corp.*, 415 F. Supp. 283, 286 (N.D. Ill. 1976). Accordingly, under the equitable doctrine of laches, a court may bar a plaintiff's recovery in instances where an accused infringer is unfairly disadvantaged due to an inexcusable delay by a patentee in providing notice or bringing suit. *Id.*

The laches defense has been codified in the Patent Act as an equitable defense to patent infringement under 35 U.S.C. § 282. Where laches can be established, a court in its sound discretion can bar a patentee's claim for damages for activities prior to suit. *See Aukerman*, 960 F.2d at 1028.

In order to invoke laches, a defendant bears the burden to prove two elements. First, that the patentee delayed filing suit for an unreasonable and inexcusable length of time, as measured from the time she knew or reasonably should have known of her claim against the defendant. *Id.* at 1032. Second, any such delay must have operated to the accused infringer's prejudice or injury. *Id.*

The case before the Court raises the question of whether the Federal Circuit correctly held that the laches defense is available to bar claims for damages under the Patent Act in light of this Court's decision in *Petrella*. Resp't Br. i. *Amicus* urges this Court to affirm the Federal Circuit's ruling and retain laches as a defense that may be applied, on a discretionary basis, to bar damages for patent infringement, for at least the reasons enumerated herein.

Amicus believes that laches serves an important purpose in balancing the equities between a manufacturer acting in a good-faith belief that her activities did not infringe a patentee's monopoly and a diligent patent owner seeking to enforce her patent. For example, manufacturers, some who receive notice letters on a daily basis, can have difficulty in ascertaining whether allegations of patent infringement are legitimate. Against such a backdrop, laches provides a temporal limitation on the universe of litigation risks that businesses face.

These risks are exacerbated for companies in highly regulated industries, such as the pharmaceutical and medical device industries, that invest enormous amounts of time and money not only in developing a product but in moving the product through often complex regulatory processes. For these companies, laches operates to help protect their million- or billion-dollar investments directed to bringing safe and effective medicines and medical devices to the marketplace. Laches also fosters diligence by patent owners in identifying potential infringers and providing notice which, when ineffective, can result in a lawsuit; such diligence incentives can reduce inefficiencies in developing non-infringing alternatives. Perhaps most

importantly laches may be effective in deterring patent assertion entities (otherwise known as "patent trolls") from lying in wait for an unsuspecting manufacturer and then, after an unreasonably long waiting period calculated to permit products to mature and potential damages to accumulate, filing a patent infringement lawsuit where the troll's damages are maximized. This scenario also carries the possibility and frequently the distinct likelihood that products upon which doctors and the public have come to rely for improved medical care will be banished from the marketplace.

Removing laches as a defense in patent infringement cases would lead to harsh and unintended results, including harming innovation, unjustly enriching dilatory patent owners, and shelving life-saving drugs and medical devices. Accordingly, *amicus* believes that preserving laches as an equitable defense to patent infringement strikes the correct balance by protecting good-faith manufacturers without adversely affecting diligent patent owners.

A. Laches limits litigation risk for good-faith manufacturers, who bear a substantial burden in ascertaining whether a patentee has a legitimate patent infringement claim

Compared to allegations of copyright infringement, it is often much harder for a good-faith manufacturer to ascertain whether a patentee can claim with any justice that a new product infringes its patent, and whether such a claim could be successfully litigated against the

manufacturer.[2] *SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC*, 807 F.3d 1311, 1330 (Fed. Cir. 2015), *cert. granted*, 136 S. Ct. 1824 (2016) ("[B]usinesses receive demand letters every day—many of which assert unmeritorious claims—and it is often impractical for companies to determine which claims have merit."). Furthermore, the extent of damages liability for patent infringement can be quite uncertain, not least because a patent's infringement scope is dependent on claim construction, a concept unique to patent litigation, and therefore cannot be calculated with any certainty until litigation is underway. *See CardSoft v. Verifone, Inc.*, 769 F.3d 1114, 1117 (Fed. Cir. 2014) ("Claim construction is a legal statement of the scope of the patent right.") (internal quotation marks omitted). Unlike in copyright, independent creation is not a defense to patent infringement, and "[a]n innocent infringer [who] performs infringing acts unaware of the infringement" may still face liability. Michael J. McKeon, *The Patent Marking and Notice Statute: A Question of "Fact" or "Act"?*, 9 Harv. J.L. & Tech. 429, 437 (1996).

In view of these very different realities in patent and copyright law, a manufacturer can spend many years and vast sums of money on research, development, regulatory

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2. *See* Mark A. Lemley, *The Economics of Improvement in Intellectual Property Law*, 75 Tex. L. Rev. 989, 1014 (1997) ("Anyone who makes, uses, or sells a product within the claims of a patent infringes that patent, whether or not they copied the idea from the patent owner, and indeed whether or not they were even aware that the patented technology existed. By contrast, a copyright protects its owner only against those who have actually taken the plaintiff's work. Independent development of the work is a complete defense.") (citations omitted).

approval, due diligence, and marketing for a new product honestly believing she does not infringe. Laches operates to limit litigation risks faced by manufacturers by barring claims of infringement that arise after an unreasonable period of delay and where that delay causes prejudice to the accused infringer. Sound policy dictates that a good-faith manufacturer that develops a product and is permitted by a dilatory patentee to market it for years without action should be able to rest easy that, after a certain period of time, it no longer faces the risk of a patent infringement lawsuit.

B. Laches protects immense investments made by manufacturers in regulated industries

Laches is particularly important in fields subject to significant regulatory oversight. The biopharmaceutical and medical diagnostics fields, in which *amicus* is a global leader, are governed by complex regulatory schemes, including, but not only, FDA approval, that significantly increase the time and expense of research, development, patenting and bringing to market innovative therapies and medicines.[3] John C. Low, *Finding the Right Tool for the Job: Adequate Protection for Research Tool Patents in A*

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3. *See Angiotech Pharm. Inc. v. Lee*, No. 1:15-CV-1673, 2016 WL 3248352, at *2 (E.D. Va. June 8, 2016) ("[I]nventors may well not have sufficient incentive to expend the resources necessary to develop new drugs and medical devices, as patents claiming medical innovations subject to FDA review may have an effective life of less than the standard twenty years owing to the time consumed by the FDA review and approval process."); *Glaxo Operations UK Ltd. v. Quigg*, 706 F. Supp. 1224, 1225 (E.D. Va. 1989), *aff'd*, 894 F.2d 392 (Fed. Cir. 1990) ("[P]rocedures often require years to complete, thereby diminishing the commercial rights provided by the patent.").

Global Market?, 27 Hous. J. Int'l L. 345, 358 (2005) ("59 percent of [biotech companies] cited difficult, antiquated, and expensive regulatory and approval processes as major barriers to further progress and competitiveness."); *see also* Natasha N. Aljalian, *The Role of Patent Scope in Biopharmaceutical Patents*, 11 B.U. J. Sci. & Tech. L. 1, 22 n.87, 42 (2005) ("Biopharmaceutical research and development is a lengthy, expensive and risky process. . . . It is said it takes more than a decade and capital in the several hundred millions of dollars to commercialize one drug."). Additionally, for highly-regulated industries, it is often much harder for alleged infringers to switch to a non-infringing alternative because of the required regulatory approval for redesigned products or drugs.

For at least these reasons, a reasonable time limitation on patent infringement damages, as is provided by the laches doctrine, helps protect the enormous investments of time and money involved in bringing a regulated product to the marketplace. Unless and until Congress indicates that there should be another avenue leading to such protection, laches is the only equitable, balanced way to ensure that a patentee is not permitted to tactically delay suit to the detriment of a good-faith biopharmaceutical or medical diagnostics entity serving a strong public interest in its business pursuits. Indeed, such a good-faith entity, that undertakes a substantial research and development effort, expends significant time and investment to seek and obtain approval of a new drug or treatment through multiple clinical trials, launching the product, and generating a successful market for it, should not be unduly subject to a late-patentee's attempt to reap an unearned windfall while at the same time threatening the public with the loss of beneficial medicines or medical devices.

C. Laches prevents unreasonable delays while knowing patent owners "lie in wait"

Without the laches defense, a calculating patentee would be allowed to wait until a regulated medical device or product comes to full maturity in the marketplace and then be able to pounce when the product is at its peak value, seeking six years—perhaps the best six years—worth of damages. Courts, including this Court, have recognized with disfavor the deleterious effects of such troll-like behavior from patentees. *See, e.g., Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015) ("The Court is well aware that an 'industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees.' Some companies may use patents *as a sword* to go after defendants for money, even when their claims are *frivolous*.") (emphasis added) (citation omitted); *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1935 (2016) ("Trolls, in the patois of the patent community, are entities that hold patents for the primary purpose of enforcing them against alleged infringers, often exacting outsized licensing fees on threat of litigation"); *Carhart v. Carhart-Halaska Int'l, LLC*, 788 F.3d 687, 691 (7th Cir. 2015) ("The commonest example of a law troll is the patent troll, who acquires by purchase or application to the Patent and Trademark Office a patent that he uses not to protect an invention but to obtain a license fee from, or legal judgment against, an alleged infringer."); *In re Packard*, 751 F.3d 1307, 1324-25 (Fed. Cir. 2014), *cert. denied sub nom. Packard v. Lee*, 135 S. Ct. 2310 (2015) ("There are good reasons why unnecessary incoherence and ambiguity in claim constructions should be disapproved . . . [as] they waste scarce judicial resources on claim construction

cases that should never have been necessary to litigate, supporting and encouraging the kinds of litigation that have made 'patent trolls' dirty words."). Avoiding such outcomes is critical to the proper performance of the patent system, even without the added factor that the patentee has used stealth and delay to enhance her position for collecting damages or extracting undue recompense by the threat of obtaining an injunction that would do away with a beneficial medical product or device from the market.

Amicus believes that such patent assertion abuses are deterred by laches, which could be, and in fact has been, applied to reduce dilatory action by patent assertion entities. Under the current laches jurisprudence in the lower courts, laches has been used to inhibit troll-like behavior provided there is evidence for: 1) delay in filing suit for an unreasonable and inexcusable length of time from the time the plaintiff knew or reasonably should have known of its claim against the defendant; and 2) prejudice or injury of the defendant due to the plaintiff's delay.

An evidentiary showing of a failure to notify or bring suit identifies those patentees who have intentionally waited until the opportunity is a "ripe plum to be picked." *See Stryker Corp. v. Zimmer, Inc.*, 741 F. Supp. 509, 514 (D.N.J. 1990) (motion for partial summary judgment based on laches granted) ("A patentee who, with knowledge of the alleged infringing activity, does nothing over a period of years other than mislead a purported infringer . . . lying in wait until . . . it has become 'commercially and economically worthwhile' to do something, has engaged in affirmatively misleading silence of the worst order and should not be insulated merely because, for whatever reason, it did not

articulate a threat or assert a right but, rather, chose to mislead from day one."). Evidence tending to show large increases in possible damages during a period of plaintiff inaction also have helped support a conclusion that a patentee has unreasonable delayed filing an infringement lawsuit. *See, e.g., Gen. Elec. Co. v. Hoechst Celanese Corp.*, 740 F. Supp. 305 (D. Del. 1990) (barring recovery under laches where evidence demonstrated plaintiff knew of defendants' alleged infringement for 9 years prior to bringing of action, during which time defendants' sales of infringing product rose from less than $150,000 to near $8,000,000 per year).

Unreasonable dilatory behavior by a patentee can be used to provide evidence showing economic prejudice at least based on the enormous amount of resources needed to change course to a non-infringing alternative at a later date. In the case of a regulated product, the entity subject to a delayed suit may find it difficult to switch because of the additional time, effort, and cost required to obtain approval of the redesigned product. Under such circumstances, courts have found that economic prejudice may be established under a laches defense where a delay in bringing suit prevents the development of a non-infringing product. *See, e.g., Medinol Ltd. v. Cordis Corp.*, 15 F. Supp. 3d 389, 408 (S.D.N.Y. 2014) (barring recovery under laches where patent owner delayed in bringing suit against competitor who had developed alternative products in response to prior accusations of infringement).

As these examples illustrate, laches provides a defense for good-faith manufacturers in cases where patent assertion entities knowingly delay infringement suits until the situation is most financially favorable for them

and unfavorable to not just the manufacturer, but more importantly unfavorable to the public.

D. Removing the laches defense could lead to unintended results that can stifle growth, unjustly enrich dilatory patentees, and eliminate life-saving drugs and medical devices from the marketplace

This Court could decide to eliminate or narrow the longstanding application of the laches doctrine under the Patent Act (although "a major departure from the long tradition of equity practice should not be lightly implied").[4] *Amicus* cautions that such a decision would be extremely problematic because patent assertion entities could then, without any limit on *when* suit could be filed, choose a time that is most profitable for their own interests. Such a distorted patent enforcement regime would result in unjust enrichment of these dilatory patentees (while working no prejudice on conscientious patentees), to the detriment of good-faith manufacturers and businesses.

Removing or limiting the laches defense becomes even more dubious when the clinical impact of health-enhancing and potentially life-saving products is considered. If a drug or medical device is having a positive impact on patients or helps doctors performing diagnosis and treatment, it is societally dysfunctional to allow a dilatory patentee who has slept on her monopoly to step in and prevent this beneficial use. Court-mandated modification or wholesale withdrawal of an allegedly infringing product

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4. *See SCA Hygiene*, 807 F.3d at 1333 (quoting *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 388 (2006)).

from the marketplace in these situations is a draconian and foolhardy remedy that fails to take into account the practical impact on patients who may need these products to survive. In considering the equities of the laches defense, *amicus* urges the Court to address whether it is equitable to allow a dilatory patentee, who has watched and waited quietly from the sidelines for years, to cause beneficial medicines and medical devices to be removed from the marketplace—medicines and devices that the public has come to rely upon during the calculated period of delay—as would be the case should the laches defense no longer be available.

Apart from the potentially ruinous effects on both manufacturers and the public at large, limiting or eliminating the laches defense in these cases can be expected to greatly stifle innovation. Companies will be less inclined to undertake the risks of research and development knowing an infringement allegation may spring up at any time, even if the product has been marketed for years without a hint that it may infringe. Investors will be less inclined to financially support innovative and ground-breaking businesses, electing instead to back the conservative *status quo*. The natural consequence of increased risk and resulting lower investment will be stagnant business growth and a meager appetite for novel products and processes by the companies otherwise in the best position to take those risks and make those investments in ground-breaking medical innovation.

E. Preserving laches as a defense for patent infringement strikes the right balance between protecting diligent patent owners and good-faith manufacturers

Amicus believes that preserving the laches defense maintains an equitable middle ground between good-faith business enterprises and diligent patentees who timely assert their patent rights. Although a court can apply the laches defense to bar patent damages outright, even an unreasonably delaying patentee is not without her own protections under the doctrine.

For example, the accused infringer who asserts laches must operate in good faith. If not, a patentee may be able to prevent the infringer from relying on the laches defense using proof that the accused infringer was itself guilty of misdeeds towards the patentee.[5] *See, e.g.*, *Aukerman*, 960 F.2d at 1038. Furthermore, evidence that goes to either of the two laches prongs may be rebutted by the patentee. For example, a considerable investment during a delay period cannot be a result of the delay if it was "a deliberate business decision to ignore [a] warning, and to proceed as if nothing had occurred." *Medinol*, 15 F. Supp. 3d at 408.

And the laches defense remains as an equitable remedy to be applied within the sound judgment of the trial court in light of all the circumstances. *See Aukerman*, 960 F.2d at 1036. Laches is not *established* by undue delay and prejudice *per se*. Those factors merely lay the foundation for the exercise of a trial court's discretion. *Id.*

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5. This result flows from the maxim, "He who seeks equity must do equity."

Where there is evidence of other factors that would make it inequitable to recognize the defense (despite undue delay and prejudice), a court can assess the strength of the totality of the evidence and, in appropriate circumstances, deny application of the laches defense. *Id. Amicus* asserts that these considerations show that laches in the patent infringement context is a fair and equitable doctrine that serves an important role to reduce dilatory abuses in the Federal Courts.

II. ABSENT THE DEFENSE OF LACHES, PATENT TROLLS AND OTHER DILATORY PATENTEES CAN THWART CONGRESS'S INTENT THAT THE 35 U.S.C. § 156 TERM RESTORATION UNIQUE TO PATENT LAW OPERATE AS A VALUE-MAXIMIZING INCENTIVE TO ENCOURAGE CONTINUED DEVELOPMENT OF NEW PHARMACEUTICALS

In declining to extend *Petrella* to patent law, the Federal Circuit noted that fundamental statutory distinctions between copyright and patent law indicated that Congress did not intend to treat copyright and patent infringement suits as equals. *See SCA Hygiene*, 807 F.3d at 1329. Specifically, the Federal Circuit observed that 1) copyright law contained no express equivalent of patent law's 35 U.S.C. § 282 codification of laches as a defense to infringement;[6] and 2) statutory provisions governing copyright infringement require proof that a defendant has access to a copyrighted work, whereas patent statutes treat infringement as a strict liability offense.[7]

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6. *SCA Hygiene*, 807 F.3d at 1321.

7. *Id.* at 1330.

The Patent Term Restoration provision under 35 U.S.C. § 156 (which has no counterpart in copyright law), however, provides yet another example of a statutory distinction that counsels against broad application of this Court's *Petrella* decision to patent law. The concept of patent restoration was codified in 1984 as part of the so-called Hatch-Waxman Act,[8] which was designed to strike a balance between promoting generic competition and promoting continued development of new pharmaceuticals by restoring some of the patent term that had been lost during the regulatory review process. *See Hoechst Aktiengesellschaft v. Quigg*, 917 F.2d 522, 528 (Fed. Cir. 1990) (citing H.R. Rep. No. 857, 98th Cong., 2d Sess., pt. 2, at 5-6 (1984)); *see also Hoechst Aktiengesellschaft v. Quigg*, 724 F. Supp. 398, 399 (E.D. Va. 1989), *rev'd*, 917 F.2d 522 (Fed. Cir. 1990). Because patents claiming medical innovations subject to FDA review may have an effective life of less than the statutory twenty-year term calculated from a patent's earliest filing date, owing to the time consumed by the FDA review and approval process, Title II of the Hatch-Waxman Act provides that if the product and the patent meet certain statutory criteria, the PTO shall extend the term of the patent to make up for the time lost during regulatory review. *See, e.g., Angiotech*, 2016 WL 3248352, at *2 (citing 35 U.S.C. § 156).

The important policy concern addressed in 35 U.S.C. § 156 is to maximize the value of the exclusivity period for FDA-regulated innovations, thereby providing inventors sufficient incentive to expend the resources necessary to develop new drugs and medical devices. *See id.*; *see also Glaxo*, 706 F.Supp. at 1225 ("Because the patent owner

8. 21 U.S.C. § 301 *et seq.*

cannot market the claimed product commercially without FDA approval, several years of the patent monopoly can be entirely unprofitable."). Absent the defense of laches, patent trolls and other patentees can thwart Congress's intent to confer maximum exclusivity and opportunity to recoup the often enormous investments required to usher drugs through the FDA approval process and into the market by the dilatory litigation tactics discussed herein. Specifically, without laches a patent troll or other patentee could lie in wait, delaying an infringement suit until an innovator builds up a successful market, and then pounce when the product is at its peak value and strategically seek the best six-year period for their damages to be calculated. Application of the laches defense properly stymies tactical use of such dilatory behavior.

CONCLUSION

The Federal Circuit's recognition of laches as a bar to damages for patent infringement should be affirmed.

Respectfully Submitted,

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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG, *et al.*,

Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF *AMICUS CURIAE* UNIVERSAL REMOTE CONTROL, INC. IN SUPPORT OF RESPONDENTS

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QUESTION PRESENTED

Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.

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INTEREST OF *AMICUS CURIAE* [1]

Amicus curiae, Universal Remote Control, Inc. ("URC"), is involved in the design and manufacture of universal remote control devices. Having recently availed itself of the doctrine of laches, *inter alia*, to defend itself successfully against a much larger competitor's baseless patent infringement lawsuit, URC submits this brief to provide the Court with information on how a laches defense was properly applied in a case beyond the particular situation in the subject *SCA/First Quality* case, and thus should be retained. *See, Universal Electronics, Inc. v. Universal Remote Control, Inc.*, 8:12-cv-00329 AG (JPRx), C.D.Cal. (the "California Litigation").[2]

The California Litigation is the subject of several appeals before the Federal Circuit Court of Appeals.

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1. No party's counsel to this case authored any part of this brief. No party, party's counsel or other person besides URC contributed money to fund the preparation or submission of this brief.

Counsel for *amicus curiae* who drafted this brief has had no involvement in this case on behalf of any party. In other non-litigation, intellectual property matters unrelated to this case, the law firm for *amicus curiae* has represented, and currently represents, the First Quality respondents.

Pursuant to Supreme Court Rule 37.3, Petitioners' counsel of record consented to the filing of this brief by filing a blanket consent with the Clerk. Respondents' counsel of record individually consented to the filing of this brief.

2. The California Litigation involved four patents in suit. URC ultimately prevailed on all four of these patents, but URC's successful laches defense related to U.S. Patent No. 5,414,426.

The first appeal is captioned *Universal Electronics Inc. v. Universal Remote Control, Inc.*, Appeal No. 15-1410 ("the URC Appeal"), in which URC appealed the district court's decisions on patent misuse and unclean hands. In the second appeal, captioned *Universal Electronics Inc. v. Universal Remote Control, Inc.*, Appeal No. 15-1440 ("the URC II Appeal"), Universal Electronics Inc. ("UEI") appealed from the Final Judgment which included, among other things, the district court's ruling on laches.[3] In the third appeal, captioned *Universal Electronics Inc. v. Universal Remote Control, Inc.*, Appeal No. 15-1561 ("the URC III Appeal"), URC appealed the district court's decision to limit the attorney's fees award, based in significant part on the district court's finding of laches, to certain parts of the case only. In the fourth appeal, captioned *Universal Electronics Inc. v. Universal Remote Control, Inc.*, Appeal No. 16-1055 ("the URC IV Appeal"), URC appealed the amount of the attorney's fees awarded on the part of the case for which fees were granted.[4]

URC is also involved in a second California litigation with UEI in which it asserts ten (10) more patents against URC.[5] That case is captioned *Universal Electronics Inc. v. Universal Remote Control, Inc., 8:13-CV-984 AG (JPRx), C.D. Cal.* ("the California II Litigation"). In that case, like the California Litigation, laches will be a crucial defense because UEI is again asserting patents, many

3. The URC II Appeal has now been voluntarily dismissed by UEI.

4. UEI cross-appealed the URC IV Appeal but has also dismissed that appeal.

5. Reduced to four patents in the Third Amended Complaint filed 8/22/16.

of which had expired three years before the suit was even filed, against products that URC has been selling in competition with UEI products for over ten (10) years. Also, on April 28, 2016, URC filed an action against UEI, captioned *Universal Remote Control, Inc. v. Universal Electronics, Inc.*, 30-2016-00849239-CU-BT-CJC, Sup. Ct. of Cal., ("the California III Litigation"), for malicious prosecution. This action is in part based on UEI's alleged knowledge of its laches in prosecuting its original action against URC. Thus, URC has an interest in this case because the decision here could affect the outcome of the pending California Litigations and the appeals relating to the California Litigation.

SUMMARY OF ARGUMENT

The holding in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S.Ct. 1962 (2014) that laches is no defense to a copyright infringement suit brought within the Copyright Act's statutory limitations period should not predicate a similar bar to the application of laches in a patent action.

As First Quality explains in its brief, there are compelling legal, historic, and policy reasons for maintaining the laches defense in patent law.

URC brings to the Court's attention its real-world experience in how laches worked properly to defend URC in decade-old litigation brought vexatiously against it by a competitor and urges that the doctrine remain viable for others in similar situations.

ARGUMENT

I. Laches Should Remain Applicable To Bar a Claim For Patent Infringement Brought Within The Six-Year Damages Limitations Period Established By 35 U.S.C. § 286

A. *Petrella's* Reliance on the Statute of Limitations in the Copyright Act Does Not Bar Laches In A Patent Case

In *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), the Supreme Court held that in a copyright action, "laches ... cannot be invoked to preclude adjudication of a claim for damages brought within the three-year window" [of the limitations period established by 17 U.S.C. § 507(b)]. *Id.* at 1967. *Petrella* reasoned that "in the face of a statute of limitations enacted by Congress, laches cannot be invoked to bar legal relief." *Id.* at 1974. This bar to the doctrine of laches in copyright actions should not be invoked to reverse the decision below or to override *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992), as its rationale does not apply to actions under the patent statute.

As explained by First Quality, in 1952 Congress codified the long-standing laches defense into the patent statute in 35 U.S.C. § 282. Accordingly, the reasoning of *Petrella*, which was based on a concern that applying a court-created laches defense alongside a statute of limitations would "jettison Congress' judgment on the timeliness of suit," *Petrella*, 134 S. Ct. at 1967, does not apply to the separate statutory structure of patent law.

As *Petrella* recognized, "[w]hen Congress fails to enact a statute of limitations...laches is not invading congressional prerogatives. It is merely filling a legislative hole." *Petrella*, 134 S. Ct. at 1968. Thus, in addition to Congress' express judgment that laches should continue to be a defense in patent law under section 282, *Petrella's* separation of powers concern is not even raised by applying laches alongside Section 286.

Section 286 in the Patent Act has always been considered a damages proscription, not a statute of limitations. *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311, 1321 (Fed. Cir. 2015) ("§ 286 is a damages limitation. The statute does not preclude bringing a claim..."); *Aukerman*, 960 F.2d at 1030 ("*section 286* is not a statute of limitations in the sense of barring a suit for infringement."); *Leinoff v. Louis Milona & Sons, Inc.*, 726 F.2d 734, 741 (Fed. Cir. 1984) ("Since there is no statute from which to determine the timeliness of an infringement action, vis-a-vis the patentee's first knowledge of infringement, courts use the equitable doctrine of laches.") Thus, notwithstanding the Federal Circuit's holding below that it saw "no substantive distinction material to the *Petrella* analysis between § 286 and the copyright statute of limitations...," *SCA Hygiene Prods.*, 807 F.3d at 1321, the Section 286 "damages limitation" in the patent statute still leaves a "legislative hole" – *i.e.*, the initiation of stale claims – that Congress has long allowed to be filled by the doctrine of laches.

As occurred in URC's case and will be discussed in detail below, a patentee could sit back, unreasonably and inexcusably lie in wait for ten (10) or more years, while key evidence disappears and a defendant grows his business,

perhaps an entire industry. A patentee can then jump in at the end of the life of its patent to profit from its belated effort, content to recover damages for only the last six (6) years of infringement. Those are possibly the most lucrative years for a patentee to seek damages.

It is, thus, still necessary, appropriate, and fair to fill that gap in Section 286 of the Patent Act by retaining the doctrine of laches, which Congress has done in Section 282 of the Act. It would be legal error to extend *Petrella* from the copyright realm to the patent law.

B. The Federal Circuit Has Long Recognized That Laches Is Codified in the Patent Act Without Congressional or Supreme Court Correction

Over 20 years ago, in *Aukerman*, the Federal Circuit reviewed and upheld that the doctrine of laches is applicable in patent actions. The Court noted that Section 282 of the Patent Act [now 282(b)(1)] expressly reads:

> The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: (1) Noninfringement, absence of liability for infringement, or unenforceability.

Aukerman, 960 F.2d at 1029. The Federal Circuit has always interpreted this paragraph of Section 282 as including the "equitable defenses such as laches, estoppel and unclean hands." *Id., citing J.P. Stevens & Co. v. Lex Tex Ltd. Inc.*, 747 F.2d 1553, 1561 (Fed. Cir. 1984), cert. denied, 474 U.S. 822 (1985). And as stated once again by the court below in this action: "Congress codified a laches defense in § 282." *SCA Hygiene Prods.* 807 F.3d at 1323.

Laches may be defined as "the neglect or delay in bringing suit to remedy an alleged wrong, which taken together with lapse of time and other circumstances, causes prejudice to the adverse party and operates as an equitable bar." *Aukerman*, 960 F.2d at 1029; *see also, Petrella*, 134 S. Ct. at 1967 ("unreasonable, prejudicial delay in commencing suit.")

In particular, for a defendant to invoke a laches defense, it has the burden to prove:

> 1) The plaintiff delayed filing suit for an unreasonable and inexcusable length of time from the time the plaintiff knew or reasonably should have known of its claim against the defendant, and
>
> 2) The delay operated to the prejudice or injury of the defendant.

Aukerman, 960 F.2d at 1032. It is the policy reasons underlying this second element that *amicus curiae* wishes to expound upon as a basis to retain the doctrine. Indeed, it is this very doctrine that operated to properly protect URC in the California Litigation from enormous potential liability against a competitors' harassing resurrection of an old grievance and thus demonstrates why the doctrine should endure.

For a laches defense to succeed, a defendant must show that the requisite prejudice exists, which may be economic and/or evidentiary. Evidentiary prejudice arises "by reason of a defendant's inability to present a full and fair defense on the merits due to the loss of records, the

death of a witness, or the unreliability of memories of long past events, thereby undermining the court's ability to judge the facts." *Aukerman*, 960 F.2d at 1033. Economic prejudice arises where the defendant "will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit." *Id.*

Many examples abound in patent jurisprudence of how laches has been invoked to prevent such unfair prejudice. For example, in *Altech Controls Corp. v. EIL Instruments., Inc.*, 8 Fed. Appx. 941, 951 (Fed. Cir. 2001), the Court upheld a laches defense where the defendant presented evidence of evidentiary prejudice due to a policy of shredding, after five years, relevant documents that it would have needed for its defense.

In *Serdarevic v. Advanced Med. Optics, Inc.*, 532 F.3d 1352, 1360 (Fed. Cir. 2008), the Court affirmed a finding of laches where the plaintiff failed to rebut a presumption of evidentiary prejudice because three witnesses with knowledge of her claim to be an inventor on certain patents "died during the period of her delay" and because of the "cumulative and inherent prejudice from the dimming memories of all participants." *Id.* The Court specifically noted the lower court's reasoning that "their deaths prevent the defendants from fully investigating [plaintiff] Serdarevics' claims." *Id.* at 1361.

While these evidentiary losses make defending a stale infringement claim difficult or even impossible, an equally important issue is the economic prejudice that can result from delay. It has been held that "[m]aking heavy capital investment and increasing production can constitute prejudice." *Adelberg Labs, Inc. v. Miles, Inc.*,

921 F.2d 1267, 1272 (Fed. Cir. 1990). In *Adelberg*, economic prejudice was a basis for laches where that defendant built up its business by the seventh year of plaintiff's delay, where it had reason to believe the plaintiff would not sue. The Federal Circuit noted that "[t]his activity could have been costly to Cutter if [plaintiff] Adelberg had successfully sued and recovered lost profits or increased damages to compensate for the infringement. Thus, [defendant] Miles has shown adequate prejudice by [plaintiff] Adelberg's delay in bringing suit." *Id.*; *see also Technology for Energy Corp. v. Computational Sys.*, 1993 U.S. App. LEXIS 24556, at *21 (Fed. Cir. 1993) (affirming judgment of laches where defendant "expended considerable capital to expand its business in terms of, among other things, employees, sales, and investment in research and development during TEC's period of delay.")

Throughout these decades of application of the laches doctrine, Congress has never acted to eliminate the laches defense in patent law. While there has been significant legislative patent reform in the past few years, none of these Congressional actions have even hinted at, or tried to modify, the law relevant to the laches doctrine. Further, none of the applications of laches discussed have invoked this Court's review. Thus, silence by Congress despite ample opportunity to make changes and a history of making other adjustments to the statute is a strong indicator that the laches doctrine should remain viable and unchanged.

C. Without Laches, URC Would Have Faced Material Prejudice In Its Defense

As would typically result to most defendants, in the absence of laches, URC could have faced severe prejudice, both evidentiary and economic, had UEI's decade old charge of infringement not been barred and URC was unable to prevail on its other defenses.

URC, for the past 15 years has steadily risen to become a successful competitor in the cable remote control industry and in retaliation was subject to, and is still being subject to, harassing litigation by its much larger competitor, UEI, which has over 70% of the U.S. cable market. Laches was one essential component in URC's arsenal of defenses. Through discovery, URC learned and the district court recognized that UEI filed the California Litigation for an improper purpose, as payback for losing business to a major cable company and without regard to any reasonable pre-suit investigation into the merits of filing such a case. (Case No. 12-00329, C.D. Cal., Dkt. 475, at 5). URC also learned through discovery that once URC won that business, UEI embarked on an aggressive campaign to eliminate URC from the cable remote market.

In the California Litigation, URC prevailed on summary judgment of non-infringement on one of the patents-in-suit. At trial on that same patent, URC prevailed on invalidity based upon incorrect inventorship. The jury also rendered a verdict that the claims under this patent were unenforceable due to laches. In a post-trial ruling, the district court treated that jury verdict as advisory and found as well that laches barred the assertion of this patent.

Thus, while URC was successful on other defenses, laches was an important issue tried to the jury and the subject of intense post-trial briefing, and therefore was crucial to protect URC against liability for UEI's late claims of patent infringement. It is for these reasons, and in the interests of fundamental fairness in our judicial system, that URC urges this Court to retain the doctrine as a viable defense to patent litigation.

The California Litigation was not the first time UEI sued URC. UEI had filed an earlier suit in 2000, which ended in a pre-trial settlement. Thus, by the time of the California Litigation in 2012, UEI had been aware of URC and of URC's product lines since the late 1990's. In the settlement negotiations for that early case in 2002, URC advised UEI that one of the asserted patents (U.S. Patent No. 5,414,426) was invalid due to certain prior art. Plaintiff UEI maintained that there was an inventorship error in the asserted patent that it was prepared to "correct" by adding an inventor, and in so doing, claim entitlement to a priority date before the relevant prior art. However, rather than correct the inventorship issue, UEI dismissed its claims under that patent.

In view of the invalidity of the patent and UEI's dismissal, URC thereafter continued to engage in open and notorious competition with UEI and expanded its product line with the allegedly patented feature, while UEI remained silent.

UEI waited an unreasonable and inexcusable amount of time until 2010, eight years after it dismissed the claims, to again assert against URC the very same patent. Even after sending the notice in 2010, UEI waited until 2012

to finally commence the California Litigation and did not ultimately take steps to allegedly try to "fix" the inventorship issue until after initiating that new action. In the California Litigation, not only did UEI assert the same patent, but it also asserted the patent against the same products it could have sued upon in the earlier case in 2000. (*See,* Case No. 12-00329, C.D. Cal., Dkt. 435, at 8, 11.)

Although a presumption arose in URC's favor that laches applied due to UEI's 10-year delay in filing suit, it was difficult, time consuming and expensive for URC to defend itself against UEI due to the delay and passage of time. For example, it was difficult for URC to fight UEI's attempt to add the purported inventor because URC faced the same type of evidentiary prejudice that was present in *Serdarevic.* In the California Litigation, the alleged unnamed co-inventor had passed away in the interim and UEI could not produce any emails generated prior to 2006. Moreover, other witnesses could no longer recall the alleged inventor's role in the original invention twenty (20) years earlier or why UEI waited ten (10) years to attempt to fix inventorship. The district court expressly noted the evidentiary prejudice to URC – "twenty years of delay contributes to a finding that this case is exceptional, because it created...a situation where Plaintiff could not provide any corroboration of [the inventor's] purported inventive contribution, either from Plaintiff's files, from [the inventor], or from the named inventors." (Case No. 12-00329, C.D. Cal., Dkt. 475, at 8).

Similar to the prejudice found in *Altech Controls,* UEI had not retained relevant documents going back more than six (6) years before it filed its patent infringement suit,

depriving URC of the ability to obtain documents needed to adequately defend itself.

In addition, as in *Adelberg*, URC might have faced crippling damages charges because after UEI dismissed its patent infringement claim against URC in 2002, URC continued for over a decade to build its business in directions it believed it was free to advance, investing in and adding new products with the accused feature that potentially might have been subject to attack under UEI's interpretation of its patent. URC openly sold and marketed tens of millions of devices in direct competition with UEI while UEI still failed to even attempt to "correct" inventorship of its patent. Specifically, URC's total unit sales for the accused products up to 2002 was only approximately 350,000 remote controls. A decade later, however, this had grown to over 16 million remote control units in the 2006-2012 damages period.

While URC continued and expanded its activity in direct view of UEI, UEI unreasonably and inexcusably sat back and did nothing for ten (10) years, instead waiting to use its patent as a litigation tool to unfairly thwart competition. Had UEI asserted its claim in a timely manner, URC could have avoided any potential liability by removing the allegedly infringing feature, changing to another design, or seeking to attack the validity of the patent sooner than it ultimately was successful in doing. Even if URC were ultimately unsuccessful in those attempts, as evidenced by the sales described above, URC's potential liability would have been significantly less had UEI timely brought suit before URC invested significantly in expanding this business.

Indeed, UEI's unreasonable and inexcusable delay in bringing suit contributed to URC's award of attorneys' fees. In granting partial fees to compensate URC, the district court stated "[p]laintiff's assertion of the [patent-in-suit] despite a lengthy and unexplained lapse in time contributes to finding that this case is exceptional." (Case No. 12-00329, C.D. Cal., Dkt. 475, at 11).

In addition to the legal distinctions between copyright law and patent law which undermine extending *Petrella* to patent law, for policy reasons and fairness, the laches defense in patent actions should be upheld as a deterrent to litigants asserting stale claims. It is particularly useful to a smaller defendant who can ill afford to be dragged through baseless litigation by a larger competitor who intentionally withheld the assertion of its claims to make the accused damages devastating. The district court agreed in the California Litigation, and stated that the attorney's fees award, granted in part due to the unreasonable delay in UEI's bringing an action, "will also serve as adequate deterrence." (Case No. 12-00329, C.D. Cal., Dkt. 475, at 15). Thus, the doctrine worked properly to protect URC and should remain wholly viable for application by defendants in any appropriate case.

D. The Application of Laches Does Not Unfairly Prejudice The Patentee

While preventing prejudice and the potential economic ruin of an accused infringer, the application of laches does not unfairly prejudice a patentee. Although the delay element of the defense is presumed after six (6) years, there are many recognized situations where a plaintiff's delay is excusable. For example, "other litigation ... negotiations with the accused ... possibly poverty and

illness ... wartime conditions ... extent of infringement ... and dispute over ownership of the patent" have all been held reasonable excuses in certain circumstances for a plaintiff's delay. *Aukerman*, 960 F.2d at 1033.

In the California Litigation, laches did not prejudice UEI. As the district court found, UEI had no reasonable excuse for sitting on its rights for an unreasonable period of time and thus had nobody to blame but itself for the application of laches. The district court stated that "[the situation giving rise to laches to block UEI's claim] was created by Plaintiff, and in spite of it, Plaintiff inflicted the cost of defending a claim that Defendant infringed the '426 Patent." (Case No. 12-0329, C.D. Cal., Dkt. 475, at 9).

In *Aukerman*, this Court stated that "a determination of laches is not made upon the application of 'mechanical rules.' ... A court must look at all of the particular facts and circumstances of each case and weigh the equities of the parties." *Aukerman*, 960 F.2d at 1032.

This balancing of interests is essential and fundamentally fair in determining whether an accused infringer's activities in investing and continuing its business were reasonable in view of a plaintiff's diligence in asserting its patent rights once the patent owner became aware of the infringement. After all, the patentee is in the better position to know when his or her rights accrue as the holder of the patent and can police the relevant field of use. In contrast, there are millions of patents in existence and thousands added every year. Even where a manufacturer diligently attempts to screen and identify those patents that may affect the products they are producing, it is not always possible to identify all relevant patents prior to a particular product's introduction. It is more efficient and

equitable for a patent owner to notify a potential infringer in a reasonable and justifiable timeframe once they believe the alleged infringer has strayed into protected territory, rather than prey on the alleged infringer's business success after unreasonably and intentionally withholding its right to assert infringement claims to take maximum advantage of inadvertent infringers. The business reality for competitors in a market for consumer goods cannot be overstated: delaying suit unreasonably by a patent owner and waiting for the alleged damages to accrue as unsuspecting manufacturers keep expanding potentially infringing product lines is grossly unfair and undermines fairness of our judicial system. Laches is essential to deter this inequity.

CONCLUSION

For the reasons set forth herein, the Court should hold that laches is available to bar a claim for patent infringement within the six-year damages limitation period of 35 U.S.C. § 286.

Respectfully submitted,

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IN THE

Supreme Court of the United States

SCA HYGIENE PRODUCTS AKTIEBOLAG
and SCA PERSONAL CARE, INC.,
Petitioners,

v.

FIRST QUALITY BABY PRODUCTS, LLC, FIRST QUALITY HYGIENIC, INC., FIRST QUALITY PRODUCTS, INC., and FIRST QUALITY RETAIL SERVICES, LLC,
Respondents.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF WASHINGTON LEGAL FOUNDATION AS *AMICUS CURIAE* IN SUPPORT OF RESPONDENTS

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QUESTION PRESENTED

Whether laches is available as a defense under the Patent Act to bar claims for damages.

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INTERESTS OF *AMICUS CURIAE*

Washington Legal Foundation (WLF) is a public-interest law firm and policy center with supporters in all 50 States. WLF devotes a substantial portion of its resources to defending free enterprise, individual rights, a limited and accountable government, and the rule of law.[1]

To that end, WLF has regularly appeared before this Court and other federal courts in cases raising important issues regarding the scope and enforceability of patents. *See, e.g.*, *Kimble v. Marvel Entertainment, LLC*, 135 S. Ct. 2401 (2015) (post-patent royalty agreements); *Bowman v. Monsanto Co.*, 133 S. Ct. 1761 (2013) (patent exhaustion doctrine); *Caraco Pharm. Labs., Inc. v. Novo Nordisk A/S*, 132 S. Ct. 1670 (2012) (counterclaims in patent-infringement suits); *TC Heartland, LLC v. Kraft Foods Group Brands LLC*, 821 F.3d 1338 (Fed. Cir. 2016), *cert. petition filed*, No. 16-341 (Sept. 12, 2016) (venue in patent-infringement suits); *Therasense Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (*en banc*) (inequitable conduct doctrine).

WLF supports the patent-enforcement regime adopted by Congress that balances the interests of patent owners, accused infringers, and the public. That regime encourages the development of new and useful technologies by granting an inventor a monopoly

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[1] Pursuant to Supreme Court Rule 37.6, WLF states that no counsel for a party authored this brief in whole or in part; and that no person or entity, other than WLF and its counsel, made a monetary contribution intended to fund the preparation and submission of this brief. All parties have consented to the filing of this brief; letters of consent have been lodged with the clerk.

over use of those new technologies for a limited period of time. The regime also recognizes that efforts to enforce patents sometimes can have a chilling effect on investment designed to develop innovative products and services. Accordingly, Congress expressly provided that an otherwise valid patent should be held partially or wholly unenforceable in circumstances under which a court determines that full enforcement would be unfair to an alleged infringer.

One such circumstance occurs when the patentee's unreasonable delay in filing an infringement action unfairly prejudices the alleged infringer. In that circumstance, according to an unbroken line of federal appeals court decisions stretching back more than five decades, the Patent Act of 1952 authorizes courts to apply the doctrine of laches to limit the relief otherwise available to the patentee. WLF is concerned that if the Court overturns that longstanding interpretation of the Act, Congress's intended balance among the rights of patentees, alleged infringers, and the public will be upended, as will the reasonable expectations of firms that have come to rely on the current understanding.

STATEMENT OF THE CASE

Nearly 25 years ago, the U.S. Court of Appeals for the Federal Circuit, sitting *en banc*, addressed the issue of whether, under the Patent Act of 1952, 66 Stat. 792, laches is available as a defense to a claim for damages in a patent-infringement lawsuit. *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (*en banc*). The court held, in accord with all previous federal appellate decisions on the issue, that Congress expressed its recognition of a

laches defense through its adoption of 28 U.S.C. § 282. *Id.* at 1030.

The court explained that a defendant seeking to invoke laches in a patent-infringement suit must establish that: (1) "the patentee's delay in bringing suit was unreasonable and inexcusable"; and (2) the defendant "suffered material prejudice attributable to the delay." *Id.* at 1028. If the defendant makes those two showings, the district court "should consider these factors and all of the evidence and other circumstances" and "may" determine that equity requires that the patentee should be barred from recovering some or all of the damages incurred prior to suit. *Ibid.*

The court also held that if the patentee delays more than six years after it "knew or should have known of the alleged infringer's activity," a presumption of laches arises. *Ibid.* That presumption does not, however, relieve the defendant of its burden of persuasion regarding the appropriateness of applying laches. Rather, it merely shifts to the patentee "the burden of going forward with evidence" regarding the reasonableness of its delay and/or the absence of prejudice. *Ibid.*

Proceedings Below. Petitioners ("SCA") in 2002 obtained a patent ("the '646 patent") on a design for protective underwear. SCA wrote to Respondents ("First Quality") in 2003, alleging that protective underwear products manufactured and sold by First Quality infringed the '646 patent. First Quality responded three weeks later that the '646 patent was invalid because its claims had been anticipated by an earlier patent and that an invalid patent cannot be

infringed.

First Quality did not thereafter hear from SCA about alleged infringement of the '646 patent until seven years later, when SCA filed this patent-infringement suit. In the meantime, by means of expanded production and corporate acquisitions, First Quality had increased its production of allegedly infringing products eight-fold from 2003 levels.

In a July 2013 order, the district court (among other things) granted summary judgment to First Quality on the issue of laches and held that SCA was barred from recovering damages incurred prior to the filing of suit on August 2, 2010. Pet. App. 92a-120a. The court recited extensive evidence supporting findings that SCA unreasonably delayed by waiting seven years to file suit and that First Quality suffered material prejudice attributable to the delay. With regard to financial prejudice, it stated:

> [T]he record demonstrates that during the seven-year delay First Quality made considerable capital investments and substantial expenditures in expanding its business. ... SCA's delay in bringing an infringement action deprived First Quality of the opportunity to modify its business strategies.

Id. at 107a. In particular, the court focused on evidence that First Quality acquired three separate protective underwear product-lines after 2006 (at least some of which allegedly infringe the '646 patent) and spent millions of dollars expanding a Pennsylvania

facility to handle the manufacture of those product lines. *Id.* at 108a-109a. The uncontradicted evidence demonstrated that First Quality would not have proceeded with those expansions (or at the very least would have structured its acquisitions in a significantly different manner) had it been aware that a patent-infringement lawsuit was in the offing. *Id.* at 109a-110a.

The court of appeals panel affirmed with respect to laches. Pet. App. 67a-91a. The panel explained that because the laches issues had been decided at the summary judgment stage, it would review *de novo* the district court's "unreasonable delay" and "material prejudice" findings, and that "summary judgment was appropriate only if no reasonable jury could have concluded that SCA's delay was reasonable, excusable, or [not] materially prejudicial." *Id.* at 77a. After conducting a *de novo* review, the panel concluded that First Quality met the "no reasonable jury" standard because SCA "failed to raise an issue of material fact" with respect to either the unreasonableness of its delay or the material prejudice suffered by First Quality as a result of that delay. *Id.* at 80a, 83a.[2]

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[2] Accordingly, *Aukerman*'s "presumption" of unreasonableness and prejudice played no role in the panel's factual determination. In any event, the panel took pains to explain the quite limited scope of that presumption. The panel emphasized that the presumption shifts only the burden of evidentiary production, not the burden of persuasion; the presumption "disappear[s]" once the patentee "can identify evidence sufficient for a reasonable jury to conclude either that the delay was excusable or not unreasonable, or that it was not materially prejudicial." Pet. App. 72a-73a.

The panel explained that a remedy barring an award of pre-suit damages is not "automatic" once a court finds both unreasonable delay and material prejudice. Rather, it stated, "courts should grant relief for laches only after balancing 'all pertinent facts and equities,' including 'the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability.'" *Id.* at 84a (quoting *Aukerman*, 960 F.3d at 1034). After reviewing all of the evidence, the panel concluded that the district court's decision to apply laches so as to bar an award of pre-suit damages did not constitute an abuse of discretion. *Ibid.*

Following this Court's decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), the Federal Circuit voted to rehear the case *en banc* for the sole purpose of determining whether—in light of *Petrella*—"laches remains a defense to legal relief in a patent infringement suit." Pet. App. 2a. The court answered that question in the affirmative, concluding that "Congress codified a laches defense in 35 U.S.C. § 282(b)(1) that may bar legal remedies," and that "in the 1952 Patent Act, Congress settled that laches and a time limitation on the recovery of damages can coexist in patent law." *Ibid.* Thus, it left intact the district court's laches determination.

In affirming *Aukerman*'s holding that laches can be a defense to a damages claim, the *en banc* court relied not only on the text and history of the Patent Act of 1952 but also on pre-1952 case law, which "consistently applied laches to preclude recovery of legal damages." Pet. App. 29a. In light of largely undisputed evidence that the 1952 statute intended to

incorporate "the common law of patents" and that the common law universally recognized laches as a defense to both legal and equitable relief in patent-infringement suits, the court reasoned that the 1952 statute must be understood to have incorporated a laches defense among the defenses enumerated in § 282. *Id.* at 35a.

While recognizing that this Court in *Petrella* held that Congress did not authorize laches as a defense in suits under the Copyright Act, the *en banc* court mentioned numerous reasons why Congress could reasonably have arrived at a different conclusion with respect to the availability of laches as a defense in patent-infringement suits filed under the Patent Act of 1952. In particular, the court explained that unreasonable pre-suit delay can create particular hardship for companies belatedly accused of patent infringement. *Id.* at 37a-38a.

SUMMARY OF ARGUMENT

The appeals court correctly determined that Congress codified laches as a defense to damages in the Patent Act of 1952. The pre-1952 case law unanimously recognized laches as a defense to patent-infringement damage claims, regardless whether the claims were brought at law or in equity. Those cases recognized that Congress in 1897 adopted a statute—now codified at 35 U.S.C. § 286—that limits recovery of patent-infringement damages to those based on infringement committed within six years of the filing of the complaint. The courts nonetheless unanimously concluded that the existence of this damages-limitation statute was compatible with

recognition of a laches defense. Congress codified that settled view of laches in the Patent Act of 1952 when it included a provision, 35 U.S.C. § 282, explicitly making "unenforceability" an available defense "in any action."

Any doubts about the proper interpretation of § 282 should be resolved in favor of recognizing a laches defense, in light of post-enactment events. *Every* federal appeals court decision that has addressed the issue—some dating back nearly 60 years—has determined that laches is an available defense to a patent infringement action filed under the Patent Act of 1952. The Federal Circuit so held soon after its creation in 1982 and has repeatedly affirmed that position. As a result, businesses have reasonably relied on that interpretation of federal law when conducting their affairs. For example, companies have been more willing to expend funds to develop and market new products despite their long-ago receipt of letters threatening patent-infringement litigation, secure in the knowledge that they can assert a laches defense to any such suits that might later be filed. The Court should be wary of requests to reject the collective wisdom of the appeals courts and thereby upset these settled expectations.

The doctrine of *stare decisis* is not strictly applicable here, because this Court has not previously considered whether the Patent Act of 1952 recognizes a laches defense. Nonetheless, many of the reasons why the Court routinely respects *stare decisis*—*e.g.*, it promotes predictable development of legal principles and fosters reliance on judicial decisions—are fully applicable here. By respecting the unanimous judgment of the federal appeals courts regarding the

proper interpretation of a federal statute, particularly when that judgment dates back 60 years, this Court would ensure that legal principles continue to develop in a predictable manner and would avoid upsetting the reasonable expectations of parties that structured their business transactions in justifiable reliance on the settled interpretation.

The rationale for deferring to the appeals courts' judgment is all the stronger because Congress itself appears to have deferred to that judgment. In the intervening years, Congress has repeatedly amended the patent statutes—including § 282—yet has never used those opportunities to express its disagreement with the appeals courts' longstanding position by amending the patent statutes to preclude laches as a defense to damage claims. The inference that Congress has accepted a judicial interpretation of a statute is particularly strong when, as here, that interpretation has been adopted by numerous courts over many decades.

SCA asserts that *Petrella* determined that recognition of a laches defenses is inappropriate whenever, as here, Congress has adopted a statute imposing a time limit on the award of damages. Pet. Br. 30. That assertion misreads *Petrella*, which focused on Congress's intent in adopting the Copyright Act. Congress's failure to authorize courts to recognize laches defenses to infringement claims arising under the Copyright Act provides no basis for concluding that it did not authorize laches defenses to infringement claims arising under the Patent Act of 1952, a statute with an entirely different history and containing provisions (such as 35 U.S.C. § 282(b)(1)) that have no

analogue in the Copyright Act.

Recognition of a laches defense is fully consistent with 35 U.S.C. § 286, which bars recovery based on any infringement "committed more than six years prior to the filing of the complaint." Section 286 operates like a statute of repose; it establishes an absolute time limit on the recovery of damages without regard to when the patentee became aware of the infringement (*e.g.*, the six-year window may already have closed before the infringement is discovered) and without regard to the defendant's culpability or whether it has been prejudiced by the delay. The doctrine of laches responds to an entirely different set of concerns. It never applies in a patent case unless the patentee's delay in bringing suit was "unreasonable" and caused the defendant to suffer "material prejudice." Accordingly, there is no inconsistency between § 286 (which never applies to bar damage claims arising from infringement that occurred less than six years before suit is filed) and § 282 as interpreted by the appeals courts (which permits a court to invoke laches to bar damage claims arising within that six-year window, if and only if certain additional findings are made).

Finally, the Court should decline SCA's request to address the presumption adopted by the Federal Circuit for use in cases in which the patentee delays filing an infringement action for more than six years from the date on which it learns of the alleged infringer's activities. This case is not an appropriate vehicle for addressing that issue because the presumption played no role in the decision below. Rather, the appeals court panel determined, after *de novo* review, that First Quality had established both

unreasonable delay and material prejudice because SCA *failed to raise an issue of material fact* with respect to either issue. Pet. App. 80a, 83. The Court should decline to provide what would amount to an advisory opinion regarding a court procedure that played no role in the outcome of this case.

If the Court decides to address the issue, it should uphold the presumption as an effective tool designed to assist federal district courts in resolving factual disputes regarding whether a patentee's delay in filing suit is unreasonable and whether the defendant has suffered material prejudice. SCA mischaracterizes the presumption when it asserts that the presumption was "dispositive on the issue of laches." Pet. Br. 52. To the contrary, the presumption does no more than impose a burden of evidentiary production on a patentee, requiring it to come forward with evidence explaining its delay in filing suit.

Imposing that burden of production assists with the fact-finding process; after all, the patentee is the party best situated to provide evidence regarding the reasons why it delayed more than six years in filing suit. That evidence will assist the court in determining whether the delay was reasonable. Importantly, the presumption is extremely limited in scope; it does not affect the burden of persuasion regarding the issues of unreasonable delay and material prejudice, a burden which remains at all times on the defendant asserting laches. The presumption disappears once the patentee comes forward with the required evidence and plays no further role in the fact-finding process.

Moreover, the presumption is limited to the

factual issues of unreasonable delay and material prejudice; even if a court makes findings adverse to the patentee on those issues, the defendant is not automatically entitled to a limitation on pre-suit damages. Rather, the defendant still bears the burden of demonstrating, based on all the pertinent facts and equities, that it is entitled to some form of laches relief. In sum, the extremely modest presumption employed by the Federal Circuit is no different from other fact-finding presumptions employed by federal courts with respect to other federal statutes, such as the "prima facie case" regularly used to assist in determining whether employment-discrimination plaintiffs have been subjected to disparate treatment. *See McDonnell Douglas Corp. v. Green*, 411 U.S. 792 (1973).

ARGUMENT

I. THE PATENT ACT OF 1952 CODIFIED LACHES AS A DEFENSE TO DAMAGES

Petitioners do not seriously dispute that *every* pre-1952 appellate decision to consider the question concluded that laches was available as a defense to a patent infringement action. *See, e.g., Lane & Bodley Co. v. Locke*, 150 U.S. 193, 200-01 (1893). Those reported decisions include cases in which the plaintiff sought an award of damages as well as cases in which the defendant sought equitable relief; they include cases filed with courts sitting in equity as well as actions at law; and they include cases filed after the merger of law and equity courts in 1938. Petitioners also do not seriously contest that Congress did not intend the Patent Act of 1952 to alter the substance of the patent law except where expressly stated; rather,

Congress largely intended to clarify existing law. "'The stated purpose' of the 1952 revision 'was merely reorganization in language to clarify the statement of the statutes.'" *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923, 1930 (2016) (quoting *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 505 n.20 (1964)). Under those circumstances, it would be highly surprising if the Patent Act of 1952 had *not* specified that laches is a defense to patent-infringement damage claims.

Congress codified the availability of laches by including in the Act a provision, 35 U.S.C. § 282, that expressly lists "unenforceability" as an available defense "in any action." SCA focuses on the fact that § 282 does not explicitly use the word "laches." But neither does it make explicit reference to any of the other equitable doctrines, such as equitable estoppel, under which a patent might be deemed unenforceable; yet SCA concedes that equitable estoppel is an available defense.

Both First Quality's brief and the *en banc* appeals court explain in great detail why the Patent Act of 1952 is most reasonably read as preserving the status quo, including the preservation of laches and other previously recognized "unavailability" defenses. WLF will not repeat those arguments here. Rather, we wish to focus attention on several points that merit special emphasis.

1. Much of SCA's argument regarding the pre-1952 case law is premised on a belief that the law sharply differentiated between patent suits filed in equity and those filed at law. For example, Petitioners

argue that equity cases such as *Lane & Bodley* are not relevant in discerning whether pre-1952 case law recognized laches as a defense to damage claims; they assert that the only relevant cases are those that were filed at law. But, in fact, long before the formal merger of law and equity courts in 1938, Congress had eliminated many of the formal distinctions between the two. Of most relevance, Congress adopted legislation in 1870 that authorized litigants to recover damages, a legal remedy, in equity as well as at law. Patent Act of 1870, ch. 230, § 55, 16 Stat. 198, 206 (codified as amended at Rev. Stat. § 4921 (1874)). Thus, the widespread acceptance of laches as a defense in equity suits meant that courts were applying laches to limit the award of damages, not simply the award of traditional equitable remedies such as injunctions.

Moreover, when Congress adopted the six-year limit on damage awards in 1897, it made the statute applicable both to actions at law and in equity. Thus, when post-1897 decisions held that laches defenses could be raised in patent-infringement suits, they were not applying laches solely as a "gap-filling" measure (*i.e.*, not solely in the absence of a statute that imposed temporal limitations on recovery for past infringement).

Thereafter, as First Quality has cogently explained, because litigants often could not obtain complete relief in patent-infringement litigation filed at law (where injunctions were not available), virtually all such litigation filed in the late Nineteenth and early Twentieth Centuries was filed in equity. Accordingly, the limited number of pre-1938 court decisions recognizing laches as a defense in actions at law is

hardly surprising, given how few patent-infringement cases were filed at law. More importantly, the few appellate decisions directly on point all support the contention that laches may be interposed in an action at law. *See, e.g., Banker v. Ford Motor Co.*, 69 F.2d 665, 666 (3d Cir. 1934); *Universal Coin Lock Co. v. Amer. Sanitary Lock Co.*, 104 F.2d 781, 781-83 (7th Cir. 1939). SCA criticizes those decisions as wrongly decided, but that criticism misses the mark because it fails to come to grips with the appellate courts' widespread acceptance of laches as a defense to legal claims in patent-infringement litigation. That consensus continued following the 1938 merger of law and equity. *See, e.g., Lukens Steel Co. v. American Locomotive Co.*, 197 F.2d 939, 941 (2d Cir. 1952). Congress codified that same consensus when it adopted the Patent Act of 1952.

2. SCA contends that laches is an available defense only when Congress has not adopted a statute of limitations or (as here) a statute that limits damages to infringement within the past six years. Pet. Br. 28-30. It contends that when Congress has adopted such a statute, its decision regarding the timeliness of actions at law is final, and that "courts are not free to substitute their own judgment, including by adding limitations Congress has not seen fit to prescribe." *Id.* at 29.

But SCA's contention begs the question of what precisely Congress "has seen fit to prescribe." First Quality is not asking this Court to substitute its judgment for that of Congress by endorsing a defense that Congress did not authorize. Rather, First Quality asserts that the language, context, and history of the

Patent Act of 1952 all support its contention that Congress intended to codify the longstanding common-law recognition of laches as a defense to patent-infringement damage claims.

3. SCA asserts that recognizing a laches defense "promotes needless litigation" by forcing patentees to file suit prematurely to prevent even "innocuous infringements" rather than to risk the possibility that laches will be applied to reduce damages if the filing is delayed. Pet. Br. 47-48. WLF notes, however, that SCA has presented no evidence that patentees are actually filing "premature" patent-infringement suits despite their awareness of the Federal Circuit's longstanding position regarding the availability of a laches defense.

More importantly, that argument overlooks the fact that laches can be applied only when the delay in filing suit is determined to have been "unreasonable." There is no suggestion in the case law that a patentee acts unreasonably if it delays filing suit because it has determined that alleged infringements are "innocuous." Indeed, in this case, the appeals court panel did not fault SCA for its three-year delay while it pursued a reexamination of the '646 patent before the Patent and Trademark Office. Rather, it determined that SCA's delay became unreasonable only after it waited three more years following completion of reexamination proceedings in 2007 before filing suit—a period during which SCA carefully but silently monitored First Quality's rapid expansion in the protective underwear industry.

II. EVENTS FOLLOWING 1952 CONFIRM THE AVAILABILITY OF LACHES AS A DEFENSE IN PATENT-INFRINGEMENT LITIGATION

Every federal appeals court decision that has addressed the issue—some dating back nearly 60 years—has determined that laches is an available defense to a patent-infringement action filed under the Patent Act of 1952.[3] In the decades following adoption of the Act, Congress has repeatedly amended § 282 and other provisions of the Act while allowing the uniform recognition of laches as a defense to patent infringement damages to stand. Market participants have come to rely on that recognition when conducting their affairs. All of those factors provide additional grounds for affirming the decision below.

A. Businesses Have Reasonably Relied on the Unbroken Line of Appellate Decisions Recognizing Laches

This Court has never had occasion to determine whether the Patent Act of 1952 recognizes a laches defense against claims for damages. Thus, the doctrine

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[3] The Federal Circuit so held soon after its creation in 1982 and has repeatedly affirmed that position, including in its 1992 *en banc* decision in *Aukerman* and its *en banc* decision in this case. In the years following 1952 and before creation of the Federal Circuit, at least seven different regional federal circuit courts recognized laches as a defense to a charge of patent infringement. *See, e.g., Potter Instrument Co. v. Storage Tech. Corp.*, 641 F.2d 190, 191 (4th Cir. 1981); *Kohle mbH v. Eastman Kodak Co.*, 616 F.2d 1315, 1325 (5th Cir. 1980); *Continental Coatings Corp. v. Metco, Inc.*, 464 F.2d 1375, 1379 (7th Cir. 1972)(Stevens, J.).

of *stare decisis*—"the idea that today's Court should stand by yesterday's decisions," *Kimble v. Marvel Entertainment Group, LLC*, 135 S. Ct. 2401, 2409 (2015)—is not strictly applicable here. Nonetheless, many of the reasons why the Court respects *stare decisis* are equally relevant to the issue now before the Court. Application of *stare decisis* is the "preferred course because it promotes the evenhanded, predictable, and consistent development of legal principles, fosters reliance on judicial decisions, and contributes to the actual and perceived integrity of the judicial process." *Payne v. Tennessee*, 501 U.S. 808, 827-28 (1991). The same is true of a decision to defer to the unanimous judgment of the federal appeals courts regarding the proper interpretation of a federal statute, particularly when that judgment dates back 60 years and when (as here) there is at least "a reasonable possibility that parties have structured their business transactions" in reliance on that judgment. *Kimble*, 135 S. Ct. at 2410.[4]

The evidence of such reliance is particularly strong here. When First Quality heard nothing further about the '646 patent from SCA following their initial exchange of correspondence in 2003, First Quality reasonably concluded that SCA had accepted its explanation that its product designs did not infringe the patent. In the ensuing years, it increased its production of allegedly infringing products eight-fold from 2003 levels. The evidence submitted to the

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[4] *Kimble* noted that "considerations favoring *stare decisis* are at their acme" in cases, as here, "involving property and contract rights." *Ibid.* "That is because parties are especially likely to rely on such precedents when ordering their affairs." *Ibid.*

district court demonstrated that First Quality would not have undertaken that expansion had it not reasonably concluded that SCA did not intend to file patent-infringement litigation. Pet. App. 107a-110a. Moreover, in light of the judicial consensus that patent law recognizes laches as a defense to patent-infringement damages, First Quality was able to undertake its expansion with knowledge that the laches doctrine would provide it with some protection from the costs of a belatedly filed patent-infringement lawsuit.

The situation in which First Quality found itself is far from unique. As the *en banc* Federal Circuit explained:

> In the high tech industry, amici advise that businesses receive demand letters every day—many of which assert unmeritorious claims—and it is often impractical for companies to determine which claims have merit. *See* Dell Br. 23-27. Independent invention is no defense in patent law, so without laches, innovators have no safeguard against tardy claims demanding a portion of their commercial success. Consequently, "there is a recurring risk that a stale patent claim will inflict significant hardship on a defendant who has lost the meaningful ability to choose between alternative technologies and whose investment in research, development, and further innovation may be jeopardized." Dell Br. 27.

Pet. App. 38a.

Because businesses are aware that, under longstanding interpretations of patent law, they are permitted to raise laches as a defense to unreasonably delayed patent claims, they have been more willing to incur the risks described above. Their willingness to embark on such risk-taking ventures has in turn provided significant benefits to consumers in the form of new and innovative products. Reversing the appeals courts' longstanding interpretation of the Patent Act of 1952 would unfairly harm those who have reasonably relied on that interpretation and would cut against the principles that have long animated the Court's adherence to *stare decisis*.

B. Congress's Retention of § 282(b)(1) Indicates that It Has Accepted the Appeals Courts' Interpretation

The rationale for deferring to the appeals courts' judgment is all the stronger because Congress itself appears to have deferred to that judgment. In the intervening years, Congress has repeatedly amended the patent statutes—including § 282—yet has never used those opportunities to express its disagreement with the appeals courts' longstanding position by amending the patent statutes to preclude laches as a defense to damage claims. The inference that Congress has accepted a judicial interpretation of a statute is particularly strong when, as here, that interpretation has been adopted by numerous courts over many decades.

In *Texas Dep't of Housing and Community*

Affairs v. Inclusive Communities Project, Inc., 135 S. Ct. 2507 (2015), the Court concluded that the inference that Congress had adopted the appeals courts' longstanding interpretation of the Fair Housing Act (FHA) was considerably strengthened by the fact that *all* of the appeals courts that had addressed the issue had adopted that interpretation. The Court explained:

> Congress' decision in 1988 to amend the FHA while still adhering to the operative language in [the FHA provisions being litigated] is convincing support for the conclusion that Congress accepted and ratified the unanimous holdings of the Courts of Appeals finding disparate-impact liability. "If a word or phrase has ... been given a uniform interpretation by inferior courts ..., a later version of that act perpetuating the wording is presumed to carry forward their interpretation." A. Scalia & B. Garner, Reading Law: The Interpretation of Legal Texts 322 (2012); ... *Manhattan Properties, Inc. v. Irving Trust Co.*, 291 U.S. 320, 336 (1934) (explaining, where the Courts of Appeals had reached a consensus interpretation of the Bankruptcy Act and Congress had amended the Act without changing the relevant provision, "[t]his is persuasive that the construction adopted by the [lower federal] courts has been acceptable to the legislative arm of the government").

Id. at 2520.

Congress is, of course, "presumed to be aware of judicial interpretations of a statute." *NLRB v. Bildisco and Bildisco*, 465 U.S. 513 (1984). Its repeated amendments to § 282 without amending § 282(b)(1)—the provision on which the appeals courts have relied in concluding that the Patent Act of 1952 recognizes a laches defense against claims for damages—is a strong indication that Congress accepted the unanimous judicial interpretation of § 282(b)(1).

The Court's recent construction of § 282(a) is instructive. That statutory provision states that a "patent shall be presumed valid" and imposes the burden of establishing invalidity "on the party asserting invalidity." Although § 282(a) is silent regarding the standard of proof imposed on a defendant seeking to establish invalidity, the Federal Circuit beginning in 1984 interpreted the statute as requiring the defendant to persuade the factfinder of invalidity by "clear and convincing evidence." This Court unanimously upheld the Federal Circuit's interpretation in a 2011 decision, reasoning, in part, that Congress's failure to amend § 282(a) in the years following the 1984 decision indicated that Congress accepted that interpretation:

> For nearly 30 years, the Federal Circuit has interpreted § 282 as we do today. During this period, Congress has often amended § 282 ...; not once, as far as we (and Microsoft) are aware, has it ever considered a proposal to lower the standard of proof. ... Through[out the various amendments to § 282], the

> evidentiary standard adopted in § 282 has gone untouched. Indeed, Congress has left the Federal Circuit's interpretation of § 282 in place despite ongoing criticism.

Microsoft Corp. v. i4i Ltd. Partnership, 564 U.S. 91, 113 (2011).

Similarly, Congress's failure to address the appeals courts' unanimous conclusion that § 282(b)(1) establishes laches as a defense to a claim for patent-infringement damages—despite its repeated amendments to § 282 and despite criticism of that conclusion by SCA and others—supports a finding that Congress has accepted the courts' interpretation of § 282(b)(1).

III. THE COURT SHOULD NOT OVERTURN THE FEDERAL CIRCUIT'S NARROW PRESUMPTION REGARDING UNREASONABLE DELAY AND MATERIAL PREJUDICE

SCA requests alternatively that, even if Congress authorized courts to recognize a laches defense to patent-infringement damages, the Court should reject "the Federal Circuit's unique presumption in favor of laches." Petitioners Br. 50-52. The Court should deny this request, both because the propriety of the presumption is not at issue in this case and because the presumption, properly characterized, is a narrow and appropriate tool that assists with the fact-finding process.

The Federal Circuit stated in *Aukerman* that if a patentee delays the filing of a patent infringement

suit for more than six years after it "knew or should have known of the alleged infringer's activity," a presumption of laches arises. *Aukerman*, 960 F.2d at 1028. The presumption shifts to the patentee "the burden of going forward with evidence" regarding the reasonableness of its delay and/or the absence of prejudice. *Ibid.*

A. The Court Should Not Address the Presumption Because It Played No Role in the Appeals Court's Decision

The Court should decline to address the propriety of the Federal Circuit's presumption because it played no role in the appeals court's disposition of the case. The case is before the Court on appeal from the district court's order granting summary judgment to First Quality on the issue of laches; that order barred SCA from seeking damages with respect to any pre-suit infringement. The appeals court panel upheld the award of summary judgment after conducting a *de novo* review of the record and determining that: (1) SCA delayed filing suit for more than six years after learning of First Quality's alleged infringement; (2) First Quality introduced evidence that SCA delayed unreasonably before filing suit and that First Quality was materially prejudiced by that delay; (3) "no reasonable fact-finder could conclude that SCA's delay, viewed as a whole, was reasonable," and SCA "failed to raise a genuine issue of material fact regarding the reasonability of its delay," Pet. App. 80; (4) SCA failed to identify "any evidence that raises a genuine issue of material fact regarding First Quality's presumed

economic prejudice," *id.* at 83a;[5] and (5) in light of "all pertinent facts and equities, including the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability," the district court's decision to apply laches and bar pre-suit damages was not "an abuse of discretion." *Id.* at 84a.

In other words, the grant of summary judgment to First Quality on laches did not rely on the existence of the presumption to which SCA objects. Rather, SCA lost at the summary judgment stage because it failed to introduce evidence sufficient to create an issue of material fact with respect to First Quality's claims of unreasonable delay and material prejudice. Under those circumstances, any review of the Federal Circuit's presumption is unwarranted. SCA is requesting what would amount to an advisory opinion regarding a court procedure that played no role in the outcome of the case at bar.

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[5] The panel's decision made clear that its finding of material prejudice was not based simply on a presumption of prejudice. Rather, it explicitly found, "First Quality made a number of capital expenditures to expand its relevant product lines and to increase its production capacity. The record evidence suggests that First Quality would have restricted its activities to minimize infringement liability if SCA had brought suit earlier." Pet. App. 82a.

B. The Narrow Presumption Regarding Unreasonable Delay and Material Prejudice Is an Appropriate Fact-Finding Tool

If the Court decides to address the issue, it should uphold the presumption as an effective tool designed to assist federal district courts in resolving factual disputes regarding whether a patentee's delay in filing suit was unreasonable and whether the delay caused the defendant to suffer material prejudice. SCA mischaracterizes the presumption when it asserts that the presumption was "dispositive on the issue of laches." Pet. Br. 52. To the contrary, the presumption does no more than impose a burden of evidentiary production on a patentee, requiring it to come forward with evidence explaining its delay in filing suit.

Aukerman provided a detailed explanation of the Federal Circuit's presumption. It described the presumption as a "bursting bubble" presumption; that is, the presumption "is not merely rebuttable but completely vanishes upon the introduction of evidence sufficient to support a finding of the nonexistence of the presumed facts"—in this case, a presumption of unreasonable delay and material prejudice. *Aukerman*, 960 F.2d at 1037.[6] "The presumption compels the

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[6] The court explained that "presumptions, whether created by statute or by judicial ruling, arise out of considerations of fairness, public policy, and probability." *Aukerman*, 960 F.2d at 1034 (citations omitted). The laches presumption accords with "probability," in that one would not normally expect that a reasonably diligent patentee would require more than six years to prepare and file a patent- infringement lawsuit, and the defendant

production of this minimum quantum of evidence, nothing more. ... 'The word presumption properly used refers only to a device for allocating the production burden.'" *Ibid* (quoting *Texas Dep't of Community Affairs v. Burdine*, 450 U.S. 248, 255 n.8 (1980)). Thus, in a patent-infringement suit, "[i]f the patentee presents a sufficiency of evidence which, if believed, would preclude a directed finding in favor of the infringer, the presumption evaporates and the accused infringer is left to its proof." *Id.* at 1037-38.

SCA's challenge to the presumption is based on a wildly distorted conception of how the presumption operates. According to SCA, *Aukerman* held that:

> When a first act of infringement occurs more than six years before suit, the reliance and prejudice elements of laches are presumed with respect to all infringement occurring during the six-year period. 960 F.2d at 1028. The presumption rests on the premise that infringement is a "unitary claim," and that infringement before and after the six-year limitations date must rise and fall together. *Id.* at 1031-32.

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in a long-delayed patent-infringement lawsuit is likely to be facing significantly greater damage claims than if the suit had been filed soon after the alleged infringement was uncovered. The laches presumption accords with "fairness," because the patentee is likely to be the party most acquainted with the reasons why the filing of the lawsuit was delayed, and thus it is fair that the patentee be the one required to come forward with relevant evidence.

Pet. Br. 50-51.

As explained above, *Aukerman* made no such claims. The *only* purpose of the presumption is to assist the court in determining two factual issues: did the patentee delay unreasonably in filing suit and, if so, did the delay materially prejudice the defendant? If the patentee provides an explanation indicating that his delay was reasonable—for example, that the initial infringement was minor and not worth pursuing—the presumption vanishes, and the alleged infringer is left to its proof.

More importantly, the assertion that the presumption "rests on the premise that infringement is a unitary claim" is patently false. Even if the alleged infringer succeeds (with or without the assistance of the presumption) in demonstrating that the patentee delayed unreasonably, it is not thereby automatically entitled to any relief. Rather, at that point the court must determine whether any relief from damages is warranted based on a balancing of "all pertinent facts and equities," including "the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability." Pet. App. 84a (quoting *Aukerman*, 960 F.2d at 1034). Moreover, *Aukerman* was quite clear that even where "the defense of laches is established," a court "may," but is not required, to bar all pre-suit damages. 960 F.2d at 1028. In other words, far from requiring that all infringement be treated as a "unitary claim," *Aukerman* mandates that the extent to which laches should be applied to limit damages must be determined based on the equities of each case. Furthermore, that weighing of the equities is wholly unrelated to the

presumption of laches, which has no role to play in the decision-making process once a court has completed its fact-finding regarding unreasonable delay and material prejudice.

"Bursting bubble" presumptions of the sort described by *Aukerman* are frequently employed by courts to assist with the fact-finding process. The effect of such presumptions is governed by Rule 301 of the Federal Rules of Evidence.[7] Perhaps the presumption most frequently employed in federal courts is one used to assist in answering "intentional discrimination" issues arising in suits alleging employment discrimination in violation of Title VII of the Civil Rights Act of 1964. If the plaintiff establishes a "*prima facie* case" of discrimination (generally established merely by demonstrating that the plaintiff is a member of a protected racial minority group and was qualified for the position sought, but the position was instead offered to someone not a member of the minority group), a presumption of unlawful discrimination arises. *McDonnell Douglas*, 411 U.S. at 802; *Burdine*, 450 U.S. at 254. The presumption places upon the defendant the burden of producing evidence which, if believed by the trier of fact, would demonstrate that the adverse employment action was

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[7] Rule 301 provides:

> In a civil case, unless a federal statute or these rules provide otherwise, the party against whom a presumption is directed has the burden of producing evidence to rebut the presumption. But this rule does not shift the burden of persuasion, which remains on the party who had it originally.

taken "for a legitimate, nondiscriminatory reason." *Burdine*, 450 U.S. at 254. If the defendant carries this burden of producing evidence (even if not believed), "the presumption raised by the prima facie case is rebutted" and "drops from the case." *Id.* at 255 & n.10. The plaintiff may then seek to demonstrate that the defendant's proffered reason for the adverse employment action is pretextual. At all times the plaintiff retains the ultimate burden of persuading the trier of fact that he has been the victim of intentional discrimination. *Id.* at 256. This method of allocating the burden of proof in Title VII cases has assisted federal courts for more than 40 years in resolving the factual question of intentional discrimination.

The presumption adopted by *Aukerman* for use in patent-infringement litigation operates similarly. It does not, as suggested by SCA, load the dice in favor of alleged infringers seeking to invoke a laches defense. It simply adopts procedures designed to assist courts in answering questions relevant to a laches determination. As noted above, the Federal Circuit's adoption of the presumption is not properly at issue and thus should not be addressed. But if this Court decides to address the issue and also determines, as *Aukerman* and every other federal appeals court to address the issue has concluded, that the Patent Act of 1952 recognizes laches as a defense to patent-infringement damage claims, the *Aukerman* presumption ought to be retained as an effective tool for resolving factual issues that must be resolved when addressing laches claims.

CONCLUSION

Amicus curiae Washington Legal Foundation requests that the Court affirm the judgment of the court of appeals.

Respectfully submitted,

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